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EQUICOR Healthcare Survey - V

A SURVEY OF HOSPITAL PATIENTS AND OTHER HEAVY USERS OF HEALTH CARE SERVICES

Conducted

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INTRODUCTION

The bulk of the nation's health care costs are incurred by a relatively small minority of people. The great majority of Americans are fit and healthy, and do not incur substantial health care costs in any one year. However, previous research on American's attitudes to, use of, and satisfaction with health care services has generally been based on surveys of the total population (or of all employees or of all HMO members). Studies of cost management policies and of alternative delivery systems have also usually been of the total population, or of all employees.

This survey focuses exclusively on non-institutionalized adults who use the health care system most often—the 12% of adults who are hospitalized in a 12 month period, and a further 6% of all adults who are not hospitalized, but who visit a doctor on 10 or more occasions in a year. This report uses the term "heavy users" to describe this 18% of the adult population.

The study of these "heavy users" of health care services must be central to any study of health care policy. These are the people who use most of the available services, and who incur most of the costs. They are, presumably, the people who know most about health care services and health insurance. Any policy which seeks to change the behavior of health care consumers must change the behavior of the heavy users. Cost management policies will work only if they control the costs these people generate. And these are the people who will be hurt first, and hardest, by any policy which reduces access to, or the quality of, care.

The purpose of this survey is to provide a profile of these heavy users of health care services: an understanding of who they are; their behaviors with regard to health care; how they are served by health care providers; how their health care services are paid for; how they have reacted to changes in the financing of health care; how they feel about a range of specific cost management policies; and who among them is failing to get the health care services which they need.

The survey also looks at the future potential for enrolling these heavy users of health care services in health maintenance organizations (HMOs) and preferred provider organizations (PPOs); at the prevalence of stress in this population; and at the incidence of various risk factors and preventive behaviors.

The overall objective of this survey is to provide both policy makers in the public sector and corporate decision makers with information relevant to the design of future health insurance programs and health plans. The survey examines ways to manage the high cost of providing health care services to those who use them the most—without preventing or inhibiting them from getting the services they need, and without provoking a backlash from employees or voters.

EQUICOR Healthcare Survey V is the fifth survey conducted by Louis Harris and Associates on health care cost management for EQUICOR (formerly The Equitable Group and Health Insurance Company).

- **The Equitable Healthcare Survey: Options for Controlling Costs,** which provided a detailed assessment of the attitudes of the American public, employers, unions, hospital administrators, health insurance executives, and the elected leaders of physicians' organizations to a wide range of health care cost containment policies. This survey was conducted and published in 1983.

- **The Equitable Healthcare Survey II: Physicians' Attitudes Toward Cost Containment,** which surveyed the views of a national cross section of physicians on the same issues, was conducted and published in 1984.

- **The Equitable Health Care Survey III: Corporate Initiatives and Employee Attitudes on Cost Containment,** published in June 1985, was the first detailed study of how corporations had fared in their efforts to contain employee health care costs; how employees had reacted to change in their health care benefits; how acceptable they found these changes; and how their use of health care services had been affected by these changes.

- **The Equitable Health Care Survey IV,** published in November 1985, measured the incidence of flexible benefit plans, the experiences of employers and employees, and the prospect for the further use of flexible benefit plan options.

This new survey is based on 1,515 interviews: 966 with people who have been hospitalized at least once in the previous 12 months, and 548 people who have not been hospitalized, but who have visited a doctor 10 or more times in the year. In order to locate and interview these people, the Harris firm screened a total of some 8,400 individuals in approximately 3,900 households nationwide.

This survey is limited to people who could be interviewed in their own homes. There are, therefore, two important categories of heavy users of health care services who are not covered by this survey—people who die while they are still in the hospital, or soon after they leave, and those who are permanently institutionalized.

The interviewing was conducted during May and June, 1986.

Note on the Tables

Percentages in the tables may not add to 100% because of rounding or the acceptance of multiple responses.

Acknowledgements

Louis Harris and Associates is indebted to EQUICOR for making this research possible. The help of James Glynn and Karen Krett is gratefully acknowledged. They made important contributions to the design of the study, and the development of the questionnaire.

Final responsibility for the design and implementation of the survey, and for the findings and conclusions contained in this report, rests with Louis Harris and Associates.

SURVEY HIGHLIGHTS

This summary provides an overview of the results of the survey. There are many findings described in the report which are not summarized here. Interested readers are urged to examine the full report for these findings, and the more detailed analysis of the results.

1. **Heavy users of health care services are a diverse and heterogeneous group.** They include people in all demographic groups, people who suffer from a wide variety of different conditions, people who are hospitalized for many different reasons, and people with all types of health insurance.

   The conditions affecting the largest numbers of heavy users of health care services are, in order of prevalence, hypertension, heart disease, accidents, and diabetes. In addition, maternity is a major cause of hospitalization, and the use of health care services for women.

   The most common reasons for hospitalization are child birth, heart disease, accidents, cancer, and obstetric and gynecological conditions.

   Two-thirds (69%) of heavy users are covered by group health insurance through their work or union. Substantial numbers are also covered by Medicare (25%) and Medicaid (7%), while 5% have no health insurance.

2. **Heavy users of health care services express high levels of satisfaction with the services that they use.** They are more likely to be very satisfied than are adult Americans generally. They are overwhelmingly satisfied with their ability to see a doctor when necessary, and with the quality of their doctors. The great majority are satisfied with their health insurance, and with the quality of their hospital care.

   A smaller, but substantial, 60% majority are satisfied with the out-of-pocket costs of their care, while one-third are dissatisfied.

3. **Two-thirds of those who were hospitalized say they were completely satisfied with their last hospital stay.** Only 7% say they are not at all satisfied. Medicare patients are the most likely to say they were completely satisfied with their hospital stay. However, satisfaction is lower among those whose health is only fair or poor, those with no health insurance, and Medicaid patients.

   Satisfaction among those hospitalized is highest with the quality of care provided by doctors, the quality of nursing, and with rooms and facilities. Satisfaction is lower with out-of-pocket costs, and with the quality of food.

4. **Patients and members of their families are just as likely as are doctors to choose the hospitals which patients use.** Older patients tend to be more likely to let their doctors choose the hospitals to which they are admitted, while younger patients are more likely to make these decisions themselves.

   It is evident that hospital marketing plans must target not only physicians, as they have in the past, but also the general public.

5. **The most important criteria for choosing a hospital are the hospital's reputation for providing quality care, the hospital's location, and the previous experience of patients at the hospital.** Cost is seldom an important criterion. Very few patients shop around to compare hospital prices.

6. **There is very little price sensitivity or shopping around on the basis of price, for either doctors or hospitals services.** Only 1 in 10 heavy users say that they chose their doctors because their fees were lower than those of other doctors; and only 5% of those who chose their hospitals say that cost was the most important criterion.

It seems that real price competition between health care providers is much more likely to result from the selective buying of physician and hospital services (through PPOs or other competitive bidding situations), than it is from consumer behavior.

7. **The great majority of hospital patients say that they were hospitalized for about the right amount of time. However, the size of the group who believe they were discharged too soon (12%) is large enough to cause concern.** Most of those who say that their hospital stay was too short report adverse consequences: for example, that they got worse or are still sick. Hospital patients from households with incomes of $15,000 a year or less, especially those on Medicaid, are more likely to say that they were discharged too soon, than are those with higher incomes.

8. **Only just over one-third of all heavy users of health care services mind a great deal if they have to see doctors they don't know. Less than one-third say that they mind a great deal if they are treated by medically trained nurse practitioners or physicians' assistants, when doctors are not available.** These findings suggest two things: that health care providers have considerable latitude in terms of who patients see; and that with some patients substantial economies may be possible through the use of lower cost health care professionals.

9. **There would appear to be potential in some health plans, but not in others, for increased cost-sharing.** Some health plans seem to have little or no cost-sharing. The replies of those whose cost-sharing has increased, indicate that it is possible to increase co-payments and deductibles somewhat without any substantial adverse effects on beneficiaries. However, some health plans have already increased cost-sharing to, or even beyond, the point where it begins to annoy beneficiaries, or create financial problems for them, or have an adverse effect on their health.

10. **Heavy users of health care services have many and very different types of health insurance and health plans.** They also have widely differing levels of deductibles and co-payments. And while 46% say that their health plans have changed a great deal or somewhat, the same number say that their plans have changed not much or not at all.

11. **Most heavy users of health care services whose health plans have changed, report that the changes made to their plans over the last three years are at least somewhat acceptable.** However, 21% say that the changes are not very acceptable and 11% say that they are not at all acceptable.
Heavy users are much more critical of the changes made to their plans than were corporate employees in the 1985 Equitable Health Care Survey III. Heavy users of health care services have apparently been more adversely affected by changes in health plans than have other people.

12. **A 50-35% plurality of heavy users of health care services think it was necessary to make changes in their plans in order to get health care costs under control.** This recognition of the need to take steps to manage rising health care costs is undoubtedly a potent factor in winning the acceptance of changes from so many people—even when these involve increased cost-sharing and other constraints.

13. **Approximately one-half of all heavy users of health care services say they pay a larger proportion of their health care costs than they did three years ago.** Given the speed of change in health plans, it is surprising that this figure is not higher.

14. **A modest majority of those who pay a larger proportion of their health care costs today than they did three years ago, report that this increase in cost-sharing is acceptable.** However, 41% say that it is unacceptable. Those in the lowest income group, and Medicaid patients are the most likely to find these changes very unacceptable.

15. **But substantial majorities of heavy users say that further increases in co-payments and deductibles are unacceptable.** These negative opinions are strikingly different from the replies given to the same question by a cross-section of corporate employees in the 1985 Equitable Health Care Survey. III. Increased cost-sharing is viewed much more critically by heavy users of health care services (who are the most affected), than it is by light users and non-users.

16. **A majority of heavy users also regard the policy of prior approval before admission to hospitals for non-emergency treatment as unacceptable.** Heavy users are much less willing to accept this change than are corporate employees generally.

17. **Heavy users are willing to accept many other changes.** Sizable majorities find it acceptable to have to get **second opinions,** or to be offered an **HMO option** in their health plan. Very large majorities find it acceptable to be required to participate in a **wellness program,** or to be offered a **disability case management program.**

18. **The survey indicates two of the easiest ways for employers and government health plans to manage heavy users' costs are to increase the number of heavy users who join HMOs and PPOs. It would be possible to greatly expand HMO membership among heavy users.** For every person who is already an HMO member, there is another who is very interested in joining, and almost three others who are somewhat interested in doing so.

    While interest in joining HMOs is already high, it could be greatly expanded if HMOs are linked to patients' own physicians, or to the hospitals of their choice. The expansion of HMO membership would appear to be one of the easiest ways for employers, Medicare, and Medicaid to manage the health care of their beneficiaries and, therefore, to control their health care costs.

19. **The prospect for the growth of PPO membership is almost as great as it is for HMOs,** even though this is a much newer form of health care delivery. And, as with HMOs, potential PPO membership increases very substantially when heavy users are offered the option to continue using the doctors and hospitals of their choice.

20. **The overwhelming majority of heavy users feel that they obtain all the health care services that they need.** Only 7% said that they failed to obtain care that they needed in the previous twelve months. The two most common reasons why people fail to get needed health care services are that the services cost too much, or that they do not have adequate insurance.

    Failure to obtain needed care is highest among those without health insurance (16%), and those on Medicaid (16%). It is also higher than average among those with household incomes of $15,000 a year or less, those who are disabled, and those whose health status is only fair or poor.

    This question was asked of this population for the first time. Therefore, the results do not indicate an increase or decrease in the number of people failing to get needed care as a result of changes in the financing or delivery of health care services.

21. **Increased cost-sharing is having at least some effect on the behavior of health care customers, even if there is still very little comparison shopping on the basis of price.** It seems likely that the reported changes in behavior include the reduced use of health care services by some heavy users.

22. **One-half of all heavy users say that illness has caused them financial problems in the last year, and 18% say that these were major financial problems.**

23. **Stress appears to be a significant cause of health problems among heavy users, and apparently contributes substantially to health care utilization and costs.** One-quarter of heavy users say that they have had health problems in the past year which were caused by stress; and 12% of heavy users say that there have been days when they were completely unable to perform their daily routines because of stress-related health problems.

The median number of days when these people could not perform their daily routines was 18. The economic and social consequences of stress-related health problems are clearly considerable.

The poor, those on Medicaid, and those without health insurance lose more days through stress-related health problems, than do those with private sector insurance, Medicare, or higher incomes.

CHAPTER 1:
WHO ARE THE HEAVY USERS OF HEALTH CARE SERVICES?

A Profile of Heavy Users

Heavy users of health care services differ from the population as a whole in a number of important ways. There are over twice as many female heavy users (69%) as males (31%). Heavy users are also older as a group than is the population as a whole. Heavy users have worse health status, and are more likely to be disabled. They are also somewhat more likely to be single, and slightly more likely to be covered by Medicare, than is the public generally.

On the other hand, they are very similar to the population as a whole in terms of income levels. Almost identical proportions of both groups fall into in each income bracket shown in Table 1. Like the public generally, about two-thirds (69%) are covered by health plans provided by employers or unions. One quarter of heavy users are covered by Medicare and 7% by Medicaid. Five percent of all heavy users have no health insurance.

Observations:

1. *Perhaps the most surprising findings in this profile of heavy users are that there is so little difference by age from the whole population; and that so many heavy users of health care services are to be found among the young and middle-aged.*

2. *People who have spent 11 or more days in hospital are, unsurprisingly, those with the worst health status. They are more likely to be disabled than are other heavy users. They are also older and poorer than are other heavy users.*

Table 1-1

PROFILE OF HEAVY USERS OF HEALTH CARE SERVICES

	All Heavy Users	Number of Nights in Hospital					Non-Maternity Heavy Users	All Adults* (Total Public)
		0	1-2	3-5	6-10	11 or More		
Base	1514	548	236	291	223	198	1338	(Varies)
	%	%	%	%	%	%	%	%
Sex								
Male	31	30	22	26	37	46	35	47
Female	69	70	78	74	63	53	65	54
Age								
18-29 years	23	19	36	30	16	14	18	29
30-39 years	23	27	27	25	14	13	20	21
40-49 years	14	14	13	15	12	14	15	13
50-64 years	20	20	14	14	28	29	23	20
65 and over	20	20	9	16	28	30	23	17
Household Income								
$15,000 or less	31	34	24	25	28	41	32	32
$15,001 to $25,000	19	18	22	18	19	15	18	20
$25,001 to $35,000	19	19	17	23	17	16	18	15
$35,001 to $50,000	14	13	19	14	11	11	13	14
$50,001 or more	10	10	13	10	11	7	11	12
Health Status								
Excellent	27	20	44	40	21	15	22	44
Good	41	45	39	42	38	35	43	46
Fair or poor	31	34	17	18	40	50	35	10
Disabled								
Yes	28	31	12	16	31	52	31	15
No	72	69	88	84	67	48	68	85

(Continued)

Table 1-1 (Continued)

PROFILE OF HEAVY USERS OF HEALTH CARE SERVICES

	All Heavy Users	Number of Nights in Hospital					Non-Maternity Heavy Users	All Adults* (Total Public)
		0	1-2	3-5	6-10	11 or More		
Base	1514	548	236	291	223	198	1338	(Varies)
	%	%	%	%	%	%	%	%
Number of Nights in Hospital in Last Year								
0	36	100					41	88
1-2	16		100				13	3
3-5	19			100			15	4
6-10	15				100		16	3
11 or more	13					100	14	2
Health Insurance								
Through work or union	69	68	73	74	70	60	64	68
Through self, family or group	40	40	37	37	42	46	36	46
Medicare A or B	25	24	13	20	32	41	27	20
Medicaid	7	8	6	4	7	8	7	6
No health insurance	5	5	7	4	5	5	5	5
Sources of Care								
Have usual source of care	85	84	85	85	88	88	85	88
Have one personal physician	76	73					76	80
Marital Status								
Single	14	17	13	11	11	16	15	22
Married	64	57	75	77	62	57	62	58
Divorced/separated	10	23	8	6	11	9	10	11
Widowed	11	13	4	5	16	17	13	9

*Notes: (1) Some of these tables add to less than 100% because of "not sure" responses and refusals.

(2) The "All public" data come not from this survey but from a variety of other Harris surveys.

Incidence of Various Diseases and Conditions

Half (49%) of all non-maternity heavy users suffered from at least one of these diseases or conditions during the past 12 months: heart disease, stroke, hypertension, diabetes, liver disease, or an accident requiring hospitalization.

One-quarter (26%) of **all** heavy users of health care services suffered from hypertension during the previous 12 months, nearly twice as many as those suffering from any other specific condition. However, large numbers of heavy users have suffered from heart disease, or have been the victims of accidents or injuries requiring hospitalization, or have diabetes. In addition, 18% of all the female heavy users of health care services had given birth in the previous twelve months.

All of these conditions are highly correlated with age. The incidence of heart disease, stroke, hypertension, and diabetes increases with each successive age group. However, accidents are somewhat more common among those under 50 than among those over 50.

The relationship with age is most dramatic when the disease conditions are combined. Heavy users over 65 are almost three times as likely to suffer from one of these conditions as are those under 30. And these older heavy users are about nine times as likely as are those under 30, to suffer from two or more diseases.

Table 1-2

INCIDENCE OF VARIOUS CONDITIONS

Q.: During the last 12 months have you ... ?

		Age					Non-Maternity Heavy Users
	Total	18-29 Years	30-39 Years	40-49 Years	50-65 Years	65 and Over	
Base	1514	342	341	209	307	304	1338
	%	%	%	%	%	%	%
Had heart disease or heart condition	14	3	5	12	22	30	16
Had a stroke	2	*	1	1	3	5	2
Had high blood pressure or hypertension	26	9	13	25	43	43	28
Had diabetes	9	2	3	9	14	16	10
Had cirrhosis or liver disease	1	1	1	*	2	1	1
Had an accident or injury requiring one or more nights in a hospital	11	13	13	12	7	8	12
All who had at least one condition	45	25	30	48	59	67	49
All who had two or more conditions	14	3	4	11	26	28	16
Women Only	(1040)	(268)	(245)	(129)	(193)	(197)	
	%	%	%	%	%	%	
Had a child	18	44	28	4	1	*	*

*Less than 0.5%

CHAPTER 2: SATISFACTION WITH HEALTH CARE SERVICES

Overall Satisfaction With Health Care Services

Heavy users of health care services are more likely to be very satisfied with the services which they use than are adult Americans generally. Fully 50% of heavy users say they are very satisfied with their health care services, as compared with only 36% of all adult Americans. The proportions who are dissatisfied with their health care services are virtually identical among heavy users (15%) and all adults (16%).

In general, levels of satisfaction are highest among heavy users who are in excellent health. Satisfaction is much lower among those whose health is only fair or poor. It is also significantly higher among those heavy users who have a regular source of care, than it is among those who do not have a regular source of care.

Differences in satisfaction between those with different types of health plans are insignificant.

Table 2-1

OVERALL SATISFACTION WITH HEALTH CARE SERVICES

Q.: Overall, how do you feel about the health care services that you have used in the last few years? Would you say you are very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?

		Health Status			Have Usual Source of Care		
	Total	Excellent	Good	or Poor	Yes	No	All Adults*
	1514	412	623	471	1290	224	1004
	%	%	%	%	%	%	%
Very satisfied	50	59	49	42	51	39	36
Somewhat satisfied	33	27	36	35	33	37	46
Somewhat dissatisfied	10	8	10	12	10	12	11
Very dissatisfied	5	4	4	8	5	7	5
Not sure	2	1	1	3	1	5	3

*Source for "All adults": Harris Survey for Kaiser Family Foundation, 1984

Satisfaction With Various Aspects of Health Care Services

Only relatively small minorities of heavy users of health care services are dissatisfied with five different aspects of their health care services. They are overwhelmingly satisfied with their ability to see a doctor when necessary (90%), and with the quality of their doctors (89%). The great majority are satisfied with their health insurance or health plan (74%) and with the quality of their hospital care (82%). A smaller, but still substantial, 60% majority is satisfied with the out-of-pocket costs of their care, while one-third (34%) are dissatisfied.

On each of these measures, heavy users are more satisfied—and on most criteria, substantially more satisfied—than are adult Americans generally.

Observation:

1. *Policy makers and health care providers have every reason to be pleased with these findings. It is important and reassuring to find that those who use health care services the most are overwhelmingly satisfied with those services, and are more satisfied than those who use them less often.*

2. *However, the higher level of dissatisfaction with out-of-pocket costs should be noted, and tracked as more cost management policies take effect in the near future.*

Table 2-2

SATISFACTION WITH VARIOUS ASPECTS OF HEALTH CARE SERVICES

Q.: I will mention various elements of the health care services that are available to you. Please say for each one whether you are very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied with that service.

	Total Heavy Users	All Adults*
Base	1514	1004
	%	%
Your ability to see a doctor when needed		
Very satisfied	66	48
Somewhat satisfied	24	32
Somewhat/very dissatisfied	9	19
The quality of doctors		
Very satisfied	63	50
Somewhat satisfied	26	34
Somewhat/very dissatisfied	10	15
Your health insurance or health plan		
Very satisfied	46	N/A
Somewhat satisfied	28	N/A
Somewhat/very dissatisfied	19	N/A
The quality of hospital care		
Very satisfied	54	41
Somewhat satisfied	28	32
Somewhat/very dissatisfied	11	19
The out-of-pocket cost to you — that is, what is not paid by insurance		
Very satisfied	33	26
Somewhat satisfied	27	28
Somewhat/very dissatisfied	34	45

Note: "Not sure" and "don't use" responses omitted.

*Source of "All adults" data: Harris Survey for Kaiser Family Foundation, 1984

CHAPTER 3:

HOSPITALIZATION: REASONS FOR, AND SATISFACTION WITH, HOSPITAL STAYS

Reasons for Hospitalization

Table 3.1 provides a detailed list of the main reasons for hospitalization. It also shows the large differences between men and women and between young, middle aged, and older people. The list illustrates very clearly the diveristy of this population.

The most common reasons for hospitalization among those heavy users who were eligible for the survey are child birth, heart disease, accidents, cancer, and obstetric and gynecological conditions.* Heart disease and various kinds of accidents are the main causes of hospitalization among heavy users who were hospitalized for reasons other than giving birth.

*Note: Heavy users who died or are permanently institutionalized were excluded from the survey.

Table 3-1

MAIN REASON FOR HOSPITALIZATION

Q.: What were the main disease(s), sickness(es), or condition(s) for which you were hospitalized?

		Sex		Age				
	Total	Male	Female	18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over
Base	966	308	658	236	195	132	200	193
	%	%	%	%	%	%	%	%
Birth	18	N/A	26	44	35	2	-	-
Heart disease	11	17	8	*	2	10	23	20
Accident - other	6	11	4	6	10	10	4	3
Cancer	5	3	5	1	2	5	7	9
OB/Gyn problems	5	-	7	6	7	7	4	-
Accident - automobile	3	6	2	6	3	1	3	1
Kidney problems	3	4	2	2	4	6	2	1
Respiratory problems	3	2	4	3	2	3	4	6
Stroke	2	2	1	-	1	1	3	5
Accident - home	2	2	3	2	1	4	2	5
Diabetes	2	1	2	*	1	3	3	3
High blood pressure	2	3	1	-	1	2	5	3
Back problems	2	3	1	2	2	2	3	1
Gall bladder problems	2	2	2	2	1	2	3	2
Hernia	2	3	1	*	2	3	3	2
Prostate problems	1	3	*	-	-	-	2	4
Lung problems	1	2	1	1	1	1	1	3
Bladder problems	1	1	2	1	1	1	2	3
Eye problems	1	1	1	*	-	2	2	2
Hip problems	1	1	1	-	-	1	2	3
Ulcers	1	2	*	*	1	1	3	1
Appendix/appendectomy	1	1	1	3	1	1	1	-
Arthritis	1	*	2	-	-	1	2	3
Mental/psychological problems	1	1	2	2	2	2	1	1
Tests	1	1	2	-	2	2	3	1
Liver disease	*	-	*	-	-	-	-	1
Headaches	*	-	1	*	1	1	-	-
Tonsilitis	*	*	*	1	-	1	-	-
Other	5	-	7	6	7	7	4	-
Not sure/not diagnosed	6	2	8	7	8	11	6	1
Percent hospitalized for various types of accidents	11	19	9	14	14	15	9	9

*Less than 0.5%

Satisfaction With Last Hospital Stay

Two-thirds of those who were hospitalized say they were completely satisfied with their last hospital stay. Only 7% say they were not at all satisfied.

Those now in excellent health tend to be more satisfied than those whose health is only fair or poor. Those with a usual source of care tend to be more satisfied than those who do not have a regular source. Medicare patients are the most likely to express complete satisfaction.

Satisfaction is lowest among those with no health insurance, and is also somewhat lower among Medicaid patients, and patients who do not get involved in discussing treatments with their doctors. Dissatisfaction is almost twice as high among those not involved in discussing treatments (11%) as it is among those who do get involved (6%).

Observation:

The correlation between health status and satisfaction is suggestive but not conclusive. It strongly suggests that those with satisfactory outcomes to their hospitalization are more likely to be completely satisfied than are those with unsatisfactory outcomes.

Table 3-2

OVERALL SATISFACTION WITH LAST HOSPITALIZATION

Q.: The last time you were in the hospital overnight, were you completely satisfied, somewhat satisfied, or not at all satisfied with the hospital stay, overall?

		Health Status			Have Usual Source of Care		Get Involved in Discussing Treatments		Type of Health Insurance				
	Total	Excellent	Good	Fair or Poor	Yes	No/ Not Sure	Yes	No	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance
Base	966	300	374	287	830	136	735	222	675	389	246	60	51
	%	%	%	%	%	%	%	%	%	%	%	%	%
Completely satisfied	65	69	67	57	66	55	64	66	64	65	71	62	53
Somewhat satisfied	27	25	27	29	27	31	29	21	29	27	22	25	24
Not at all satisfied	7	4	6	12	7	10	6	11	6	8	7	13	18
Not sure	1	1	*	1	*	4	1	2	1	1	1	-	6

*Less than 0.5%

Satisfaction With Various Aspects of Hospital Care

Seventy percent or more of those recently hospitalized say they are somewhat or very satisfied with each of six different aspects of hospital care. However, the levels of satisfaction vary a great deal. Approximately 70% of those hospitalized are very satisfied with the quality of care provided by doctors, the quality of nursing, and their rooms and facilities. But a much lower 48% are very satisfied with their out-of-pocket costs, and 42% are very satisfied with their food and meals.

There are some interesting demographic differences in levels of satisfaction with different aspects of health care. For example, satisfaction with out-of-pocket costs is much lower in the South (41%) than it is in the West (51%) and East (54%). Satisfaction with out-of-pocket costs also increases with age—41% among those aged 18-29, compared to 54% among those aged 65 and over. Female heavy users express higher satisfaction with their doctors (75%) than males do (69%). However, none of these differences really change the overall pattern of differences in satisfaction with various aspects of hospitalization among all heavy users.*

*These differences are not shown in a table.

Table 3-3

SATISFACTION WITH VARIOUS ASPECTS OF LAST HOSPITALIZATION

Q.: (The last time you were in the hospital overnight) how satisfied were you with (READ EACH ITEM)—very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?

Base 966		Very Satisfied	Somewhat Satisfied	Somewhat Dis-satisfied	Very Dis-satisfied	Not Sure
The quality of care provided by doctors	%	73	18	5	3	1
The quality of nursing	%	69	21	5	4	1
The rooms and facilities	%	71	22	4	3	*
The food and meals	%	42	33	11	10	3
Your insurance coverage for the hospital bill	%	57	20	7	8	7
The out-of-pocket cost to you — that is, what was not paid for by insurance	%	48	22	11	12	7

*Less than 0.5%

CHAPTER 4:

HOW HOSPITALS ARE CHOSEN

Who Chooses the Hospital

Until recently, it was widely assumed that doctors, not patients, determined the choice of hospital; and that if patients wished to be admitted to a particular hospital, the only way in which they could do this was to choose a doctor affiliated with the hospital of their choice.

The results of this survey reveal that the doctor chooses the hospital for less than half of those who are hospitalized. Only 43% of those hospitalized said that their doctor made the choice alone; a further 6% said that the decision was made jointly by the doctor and the patient. Patients and members of their families are just as likely as are doctors, to choose the hospitals to which patients are admitted.

The tendency to let the doctor choose the hospital increases steadily with age, from 34% among those aged 18-29 to 47% among those aged 65 and over. Medicare and Medicaid patients, who are mostly older as a group, are also more likely to let doctors choose their hospitals, than are those with private sector insurance.

Observations:

These findings have very important implications for the marketing of hospital services. Hospital marketing plans must target not only physicians, as they have in the past, but also the public.

Table 4-1

WHO CHOSE HOSPITAL USED

Q. The last time you were in a hospital overnight who chose the hospital? Was it your doctor, or was it you or another family member, or was it someone else?

		Age					Type of Health Insurance				
	Total	18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance
Base	966 %	236 %	195 %	132 %	200 %	193 %	675 %	389 %	246 %	60 %	51 %
Doctor	43	37	43	43	47	49	44	45	49	52	47
Patient or other family member	42	46	46	40	42	36	40	42	39	38	43
Both doctor and patient	6	6	6	7	7	6	7	6	6	3	4
Both doctor and other family member	*	*	*	2	*	1	*	1	*	*	2
Someone else	3	7	2	4	2	2	4	3	2	5	*
No decision/not applicable	4	3	4	5	3	5	4	3	4	2	*
Not sure	*	*	*	*	*	2	*	1	1	*	4

*Less than 0.5%

Criteria for Choosing Between Hospitals

A hospital's reputation for providing quality care is the principle criterion used in choosing hospitals. Seventy-four percent of heavy users say that a hospital's reputation is a very important criteria when they choose hospitals. Also considered very important by large majorities of patients are the hospital's location, 58%, (presumably close to the patient's home), and the previous experience of patients at that hospital, 58%. All three of these factors are much more important than the out-of-pocket cost of using the hospital, which only 38% of patients singled out as a very important factor in their choice-making.

When patients were asked to name the **most** important criterion in their choice-making, the criteria fall in the same rank order, with 41% citing reputation as most important, and only 5% naming out-of-pocket costs.

There are some differences in the pattern of replies to this question by age and by income. Patients over 65 are more likely to emphasize the hospital's location than are those under 65. Those in the higher income groups are much less likely than other people, to give out-of-pocket costs as the most important reason for choosing a hospital. However, it is striking that no more than 8% of even those with household incomes of $15,000 or less say that out-of-pocket cost is the single most important reason for choosing a hospital. (But half (50%) of those in this lowest income group do consider out-of-pocket costs **very** important, compared to only 27% of those earning $35,000 to $50,000 and only 14% of those earning more than $50,000.*)

Observations:

1. *Obviously, very few patients shop around to compare hospital prices. If there is price competition between hospitals, it is not directed at the health care consumer. Reasons for the virtual absence of price competition presumably include the way third party payment systems reimburse patients; and possibly the absence of readily available price information, which would enable consumers to compare prices.*

2. *These data show that if price competition is to grow, it will be the buying power of the third party payers (employers, insurance companies, government, HMOs and PPOs), not that of the consumer, which will stimulate such competition—in spite of the fact that out-of-pocket costs are very important to significant numbers of lower income patients.*

* *These data are not shown in a table.*

Table 4-2

IMPORTANCE OF VARIOUS REASONS FOR CHOICE OF HOSPITALS

Base: All those who particpated in choice of hospitals they used

5d. In your choice of hospital, how important was (READ EACH ITEM IN TURN). Was it very important, somewhat important, not very important, or not at all important?

5e. And which of these was the single most important reason for choosing the hospital?

Base 475		Very Important	Somewhat Important	Not Very Important	Not at All Important	Not Applicable	Not Sure	Single Most Important*
The hospital's location	%	58	19	11	9	1	1	32
Your previous experience at that hospital	%	58	19	4	9	9	1	31
The reputation of the hospital for providing quality care	%	74	17	2	4	1	1	41
The out-of-pocket cost to you of using this hospital	%	38	22	11	20	5	4	5
Not sure								3

*Some 12% of respondents gave two answers to this question because they could not give a single most important reason

Table 4-3

MOST IMPORTANT REASON FOR CHOICE OF HOSPITALS: BY AGE AND INCOME

		Age					Household Income				
	Total	18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over	$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 or More
Base	464	123	98	61	95	81	124	98	69	64	45
	%	%	%	%	%	%	%	%	%	%	%
The hospital's location	32	28	34	36	26	42	35	34	30	36	27
Your previous experience at that hospital	31	33	26	26	38	31	30	38	38	20	33
The reputation of the hospital for providing quality care	41	38	44	33	44	42	39	35	36	44	47
The out-of-pocket cost to you of using this hospital	5	4	5	7	7	5	8	4	6	3	2
Don't know	3	1	1	3	5	2	1	3	1	2	2

CHAPTER 5:

LENGTH OF STAY: TOO LONG OR TOO SHORT?

Number of Nights in Hospital

The median number of nights for those hospitalized was four. However, this single number embraces the 11% who were hospitalized for only one night, and the 20% who were hospitalized for 20 or more nights during the past year.

There are some differences in the number of nights spent in the hospital by those in different income groups, sexes, age groups, and those with different types of health insurance. But these differences are not large. Those in the highest and lowest income groups tend to spend somewhat more time in the hospital than do those earning between $15,000 and $50,000. Men who are hospitalized tend to spend more nights in the hospital than do women. Patients over 50 years old tend to spend more nights in the hospital than do those under 50.

Not surprisingly, women admitted to the hospital to give birth spent many fewer nights there than did patients admitted for other reasons. A 71% majority of women admitted to have a baby stayed in the hospital between one and three nights. In contrast, a 52% majority of those admitted for other reasons stayed in the hospital six or more nights. Only 29% of this group spent one to three nights in the hospital, which reflects their poorer health status. Thus, the median number of nights for women giving birth was two, compared to a median stay of five nights for all others.

Observation:

The smaller number of nights spent in the hospital by women giving birth is an important example of how they differ from heavy users as a whole. The preponderance of heavy users are sick people, or people who have suffered injuries serious enough to require hospitalization. The maternity group enjoys a health status which resembles the general adult population more closely than does the health status of most heavy users.

Table 5-1

NUMBER OF NIGHTS HOSPITALIZED IN LAST 12 MONTHS

Q.: Altogether, how many nights did you stay in a hospital during that period, that is since (DATE ONE YEAR AGO) 1985?

	All Hospitalized	Why Hospitalized	
		Giving Birth	Other Reasons
Base	966	176	790
Number of Nights	%	%	%
1	11	7	12
2	13	31	9
3	13	33	8
4-5	17	19	17
6-10	23	7	27
11 or more	20	2	25
Median number of nights	4	2	5

Table 5-2

MEDIAN NUMBER OF NIGHTS IN HOSPITAL FOR DIFFERENT GROUPS

Q.: Altogether, how many nights did you stay in a hospital during that period, that is since (DATE ONE YEAR AGO) 1985?

	Base	Median Number of Nights
All Who Were Hospitalized	966	4
Household Income		
$15,000 or less	277	6
$15,001-$25,000	185	4
$25,001-$35,000	177	4
$35,001-$50,000	135	3
$50,001 or more	100	5
Sex		
Male	308	6
Female	658	4
Age		
18-29 years	236	3
30-39 years	195	3
40-49 years	132	4
50-64 years	200	6
65 and over	193	7
Health Insurance		
Through work or union	675	4
Through family or self	389	5
Medicare	246	7
Medicaid	60	6
No health insurance	51	4

Whether Last Hospitalization Was Too Long or Too Short

More than three out of every four hospital patients say that they were hospitalized for about the right amount of time. Those thinking that their stay was too short are found in all age groups and among those with all types of insurance. However, those in the lowest income group (15%), and those now on Medicaid (27%) are more likely than the rest of the heavy users to say that their stay was too short. Nearly twice as many in the Medicaid group as in other groups say that their stay was too short. But this finding should be taken with caution, since the size of the Medicaid group in this survey is very small.*

Observations:

1. *The size of the group who believe they were in hospital for too short a time (12%) is large enough to cause concern. However, this survey does not provide a definitive answer to the question of whether DRGs and other cost-containment mechanisms are causing more patients to be discharged "quicker and sicker" than they were in the past. This is the first national survey to ask this question, so it does not provide a measure of change over time. Furthermore, the extent to which DRGs and other cost containment mechanisms are actually in operation varies from state to state.*

   However, these results are significantly different from the answers given to an identical question asked in the 1985 Harris survey for the Commonwealth Fund, "What New Yorkers Say About Their Health Care." At that time, DRGs were not being applied by Medicare or other payers in New York. The proportions in New York saying they were discharged too soon was significantly lower in the population as a whole (7%), and among Medicare patients (4%), than it is in this survey.

2. *At the very least, this survey provides a benchmark for where things stand in 1986. If possible, it should be repeated in two or three years' time to see if DRGs and other cost-containment mechanisms significantly increase the numbers who believe themselves to have been discharged too soon.*

It should be noted that some respondents may not have had their current insurance coverage when they were hospitalized. This is particularly the case with those now eligible for Medicaid.

Table 5-3

WHETHER LAST HOSPITALIZATION WAS TOO LONG, TOO SHORT, OR ABOUT RIGHT

Q.: Do you think that the time spent in hospital the last time you were hospitalized was about right, or do you think it was too short a time, or too long a time?

		Household Income					Type of Health Insurance					Why Hospitalized	
	Total Hospitalized	$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 or More	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance	Giving Birth	Other Reasons
Base	966	277	185	177	135	100	675	389	246	60	51	176	790
	%	%	%	%	%	%	%	%	%	%	%	%	%
About right	78	75	76	82	83	75	81	76	80	65	73	81	78
Too short	12	15	11	9	12	11	10	13	12	27	12	12	12
Too long	9	9	12	8	4	13	9	9	7	8	12	7	9
Not sure	1	1	1	-	1	1	1	1	1	-	4	-	1

Consequences of Being Discharged Too Soon

The majority of those who believe that they were discharged too soon report adverse consequences. A 59% majority of those admitted for reasons other than giving birth say that their condition got worse, or that they are still sick because they were discharged too soon. Only 18% said that there was no effect, while 3% say that the condition got better by itself after they were discharged.

Three out of every ten (32%) of those who believe they were discharged too soon report that some time in the last year they had to be readmitted to the hospital because they were still ill.

Table 5-4

CONSEQUENCES OF BEING DISCHARGED TOO SOON

Base: All those who said their last hospitalization was too short

Q. What was the **effect** on you, if any, of being sent home after too short a time? What else?

(Unprompted, spontaneous reponses)

	All Those Discharged Too Soon	Discharged Too Soon and Hospitalized for Reasons Other Than Giving Birth
Base	114	93
	%	%
Got worse, was sick longer, pain	37	42
Am still sick	18	17
Family hardship	8	5
Got better by itself	5	3
Got treatment elsewhere	2	2
Missed work/school	2	2
Financial hardship	1	1
No effect	16	18
Other	17	15
Not sure	4	4

Table 5-5

WHETHER READMITTED TO HOSPITAL AFTER DISCHARGE

Base: All those who said their last hospitalization was too short

Q. Has there been a time in the last year when you were discharged from a hospital before you were better and then **had to go back to the hospital again** because you were still ill?

	All Those Discharged Too Soon	Discharged Too Soon and Hospitalized for Reasons Other Than Giving Birth
Base	114	93
	%	%
Yes, readmitted	30	32
No, not readmitted	70	68

CHAPTER 6:
THE DOCTOR/PATIENT RELATIONSHIP: HOW STRONG? HOW SENSITIVE? AND IS IT CHANGING?

How Many Heavy Users Have One Physician

A three-fourths majority (76%) of heavy users of health care services have one personal physician. This is particularly true of those over 50. It is less common (but still the general rule) of people under 50, of Medicaid patients, and of those with no health insurance.

Observation:

1. *It is widely believed that it is beneficial to have a relationship with one particular physician. It is, therefore, encouraging that three-quarters of all heavy users have such a relationship, even if it may be desirable to increase this proportion.*

2. *However, those who have a relationship with one particular physician do not necessarily mind seeing other physicians when their regular physician is not available (see page 24 and Table 6-2).*

Table 6-1

WHETHER OR NOT HEAVY USERS HAVE ONE PERSONAL PHYSICIAN

Q : Do you have one personal physician you most often see when you need health services, several physicians at one clinic or group practice that you see, or no one physician in particular?

		Age					Type of Health Insurance				
	Total	18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance
Base	966	236	195	132	200	193	675	389	246	60	51
	%	%	%	%	%	%	%	%	%	%	%
Have one personal physician	76	69	72	73	83	86	76	79	83	71	73
See several physicians at one clinic or group practice	13	14	14	18	11	8	12	11	10	18	11
Do not have one particular physician	11	17	14	10	6	5	11	9	6	10	15
Not sure	*	1	*	*	*	1	*	*	1	1	1

*Less than 0.5%

How Much Heavy Users Mind Seeing Doctors Whom They Don't Know

Much has been written about the doctor-patient relationship, particularly by defenders of traditional fee-for-service care. It is, therefore, interesting to note that only just over one-third (36%) of all heavy users of health care services say that they mind a great deal if they see doctors whom they don't know.

Female heavy users are somewhat more likely than males to mind seeing an unfamiliar doctor, especially pregnant women. Patients over 65, those covered by Medicare or Medicaid, and those without health insurance, tend to mind seeing an unfamiliar doctor somewhat less than do patients under 65, and those with private sector health insurance.

Observation:

The inability of patients to see "their own doctor" has often been given as a criticism of HMOs with their own facilities. This important finding shows that for the majority of Americans this is not particularly important.

How Many Mind Seeing a Nurse-Practitioner or Physician's Assistant

Less than one-third (29%) of all heavy users say that they mind a great deal if they are treated by a medically trained nurse-practitioner or a physician's assistant, when a doctor is not available. The replies to this question are broadly similar among all age groups, and among those with all different types of health insurance.

Observation:

This finding, which may surprise some readers, suggests that substantial economies may be possible through the use of lower cost health care professionals in the treatment of some patients. However, at a time when the number of physicians is increasing, as well as the competition between them, this trend is likely to be fiercely resisted by organizations representing their interests.

Table 6-2

HOW MUCH HEAVY USERS MIND SEEING DOCTORS THEY DON'T KNOW

Q.: If the doctor or doctors you know are not available, how much do you mind seeing doctors you don't know instead—do you mind a great deal, not too much, or don't you mind at all?

		Sex		Age					Type of Health Insurance				
	Total	Male	Female	18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance
Base	1514	474	1040	342	341	209	307	304	1049	607	378	104	80
	%	%	%	%	%	%	%	%	%	%	%	%	%
A great deal	36	28	39	38	39	38	35	29	38	35	32	29	31
Not too much	37	37	37	41	42	35	34	33	39	34	32	35	38
Not at all	24	32	20	20	17	24	30	31	21	28	31	30	26
Not sure	3	2	3	1	1	3	2	7	2	3	5	7	5

Table 6-3
HOW MUCH HEAVY USERS MIND BEING TREATED BY NURSE-PRACTITIONERS OR PHYSICIAN'S ASSISTANTS

Q.: If your doctor were not available, how much would you mind being treated by a medically trained nurse-practitioner or physician's assistant—would you mind a great deal, not too much, or wouldn't you mind at all?

									Type of Health Insurance				
						Age							
	Total	Sex		18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance
		Male	Female										
Base	1514	474	1040	342	341	209	307	304	1049	607	378	104	80
	%	%	%	%	%	%	%	%	%	%	%	%	%
A great deal	29	25	31	25	29	34	32	26	29	32	29	26	24
Not too much	42	36	44	51	46	38	36	35	43	38	36	38	50
Not at all	25	34	20	22	21	22	28	29	24	25	28	32	20
Not sure	5	5	4	1	4	4	4	11	4	4	7	4	6

How Many Heavy Users Discuss Treatments With Physicians

Most heavy users of health care services participate, at least to some extent, in discussions with their physicians about their treatments or their drugs. The tendency to participate is clearly stonger among younger and more affluent patients than it is among older, or poorer patients. And those with employer-provided insurance are more likely to do this than are those with Medicare, or those with no health insurance.

Observation:

Several other surveys have reported the trend of increasing public participation in their health care. The higher levels of participation among younger Americans suggests that this trend is likely to grow in the years ahead. Most authorities who have discussed this trend believe it to be healthy.

Table 6-4

PARTICIPATION BY PATIENTS IN DISCUSSION OF THERAPIES

Q.. When you see a doctor, do you usually get involved in discussing the different treatments or drugs which you might receive, or not?

		Age					Household Income					Type of Health Insurance				
	Total	18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over	$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 or More	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance
Base	1514	342	341	209	307	304	465	281	281	205	157	1049	607	378	104	80
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Get involved	77	83	85	79	73	66	73	78	83	83	86	81	74	69	77	61
Do not get involved	22	16	14	21	26	32	26	22	16	16	13	19	25	29	23	35
Not sure	1	1	1		1	2	1	*	1	1		1	1	2		4

* Less than 0.5%

Price Sensitivity

Very few heavy users select their doctors because of competitive fees. Only one in 10 say that they chose their doctors because their fees were lower, although younger heavy users are slightly more likely to do this. And only a 16% minority of heavy users say that the fees were an important reason in their choice of physician. Those eligible for Medicaid (24%), those currently without health insurance (19%), and those in the lowest income group (21%), are more likely than are other heavy users to say that fees are important.

Observation:

These data show conclusively that even with increased cost-sharing in many health plans, most patients cannot, or do not, shop around between doctors on the basis of price. While most patients may be free to choose their doctors, there is little effective price competition at the patient level.

These findings strongly suggest that real price competition between physicians is much more likely to result from the selective buying of physician services (through PPOs, HMOs, or other competitively bid situations) by employers and other third party payers, than it is from consumer behavior. On the other hand, price elasticity would presumably increase if it were easier for consumers to determine in advance what doctors' fees for comparable services would be.

Table 6-5

HOW MANY HEAVY USERS HAVE EVER SELECTED A DOCTOR BECAUSE OF LOWER FEES

Q.: Have you ever selected a particular doctor because his or her fees were lower than another's, or haven't you?

		Age					Household Income					Type of Health Insurance				
	Total	18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over	$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 or More	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance
Base	1514	342	341	209	307	304	465	281	281	205	157	1049	607	378	104	80
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Have selected	10	13	12	11	8	4	12	9	11	5	6	9	10	6	16	16
Have not selected	89	87	87	88	91	93	86	90	88	93	94	90	89	92	79	84
Not sure	1	1	1	*	1	3	2	1	1	1	*	1	1	2	5	*

* Less than 0.5%

Table 6-6

WHETHER SIZE OF FEES ARE IMPORTANT IN CHOICE OF DOCTOR

Q.: Is the amount that you and your family pay an important reason for going to this doctor instead of some other doctor?

		Age					Household Income					Type of Health Insurance				
	Total	18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over	$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 or More	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance
Base	1514	342	341	209	307	304	465	281	281	205	157	1049	607	378	104	80
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Important reason	16	17	20	21	16	8	21	16	15	15	10	16	16	12	24	19
Not important reason	79	80	77	74	78	84	72	81	82	82	89	81	80	80	63	70
Never chose doctor (vol.)	2	1	2	2	3	2	2	1	2	1	1	1	1	2	6	5
Not sure	3	1	1	3	3	7	6	2	1	2	1	2	3	6	8	6

CHAPTER 7:
REACTIONS TO, AND THE ACCEPTABILITY OF, CHANGES IN HEALTH INSURANCE

How Much Health Plans Have Changed

Heavy users vary greatly in their reports of how much their health insurance plans have changed over the last three years. Forty-four percent say that their plans have changed a great deal or somewhat. The same proportion say that their plans have changed not much or not at all.

Observations:

1. *Because all of these people have incurred substantial health care costs, they are likely to be reasonably knowledgeable about their health plans. It is safe to conclude, therefore, that indeed some plans have changed a lot and some hardly at all, and that there is great variety in the extent of change.*

2. *Some of those reporting changes in their plans may be referring to the fact that they are now covered (or not covered) by different plans than they were two or three years earlier. This would explain why 27% of those currently without insurance say that their health insurance is a great deal or somewhat different from what it was three years before.*

Table 7-1

HOW MUCH HEALTH INSURANCE HAS CHANGED IN LAST 3 YEARS

Q.: How much has your health insurance or health plan changed over the last 3 years—a great deal, somewhat, not much, or not al all?

		Current Type of Health Insurance				
	Total	Through Work or Union	Through Self, Family or Other Group	Medi-care	Medi-caid	No Health Insur-ance
Base	1514	1049	607	378	104	80
	%	%	%	%	%	%
A great deal	24	24	24	26	22	18
Somewhat	22	24	23	20	17	9
Not much	21	22	23	23	16	6
Not at all	23	23	23	21	28	16
Not sure	5	4	5	7	10	6
Not applicable	6	3	2	3	7	45

Acceptability of Changes in Health Plans

The majority of heavy users (65%) report that the changes made to their plans are at least somewhat acceptable. However, 21% say the changes are not very acceptable and 11% say that they are not at all acceptable. It is noteworthy that men (a minority of heavy users) are more likely than women to say that the changes are not at all acceptable.

The responses to this question are much more critical than the replies given by a cross-section of corporate employees to the same question in the 1985 Equitable Health Care Survey III. In that survey, only 16% and 5% of corporate employees described the changes made to their plans as not very or not at all acceptable. Sizable majorities of almost all the employee groups analyzed in that 1985 survey—including the lowest income group and those with all types of insurance—say that the changes are acceptable.

Observation:

This is the first indication in this survey that heavy users of health care services have been more adversely affected by changes in health plans than have other people. More and stronger evidence of this follows later in the report (see Chapter 8).

Table 7-2

ACCEPTABILITY OF CHANGES IN HEALTH PLANS

Base: All those who health plan have changed a great deal or somewhat in the last 3 years

Q.: Overall, how acceptable to you have the changes been—very acceptable, somewhat acceptable, not very acceptable, or not at all acceptable?

				Household Income					Current Type of Health Insurance				
	Total	Sex		$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 or More	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	Corporate Employees*
		Male	Female										
Base	687	211	476	188	135	129	103	84	499	287	176	41	740
	%	%	%	%	%	%	%	%	%	%	%	%	%
Very acceptable	25	26	25	22	24	29	33	21	29	23	20	32	34
Somewhat acceptable	40	34	43	39	39	35	41	48	40	41	41	37	45
Not very acceptable	21	19	22	22	26	19	19	17	20	23	23	17	16
Not at all acceptable	11	18	8	13	10	16	6	12	10	11	11	7	5
Not sure	2	2	2	3	1		1	2	2	2	4	7	*

*Source: Equitable Health Care Survey III, 1985

Necessity of Making Changes in Health Plans

By a 50-36% plurality, heavy users of health care services think it was necessary to make changes in their plans in order to get health care costs under control.

Observation:

The widespread recognition of the need to take steps to contain rising health care costs is undoubtedly a potent factor in winning the acceptance of change from so many people—even when these changes involve increased cost-sharing.

Proportion Who Pay Larger Out-of-Pocket Costs

Approximately half of all heavy users (49%) say that they pay a larger proportion of their health costs than they did three years ago. Less than one in 10 say that they pay a smaller proportion. Those whose plans have changed a great deal or somewhat are much more likely to say that they pay more (61%), than are those who say that their plans have not changed much or at all (39%).

Observation:

The fact that so many heavy users (33%) say that they pay the same proportion today as they did three years ago may reflect reality, or a lack of awareness as to how their health plans have changed. However, there are several indications in the survey that the levels of change between different health plans vary greatly.

Table 7-3

REACTIONS TO CHANGES IN HEALTH INSURANCE

Base: All whose health plan changed a great deal or somewhat

(1) Was change necessary?

Q.. Do you think it was necessary to make changes in your health insurance plan in order to get health insurance costs under control, or not?

	Total
Base	687
	%
Was necessary	50
Was not necessary	36
Does not apply	4
Not sure	9

(2) Have out-of-pocket costs increased?

Q.. I'd like you to compare your health insurance today with your health insurance three years ago. Suppose you received the **same** medical treatment then and now. Do you think that the portion of your health care costs you must pay yourself is more today, less today, or about the same?

		Health Plan Has Changed	
	Total	Great Deal or Somewhat	Not Much/ Not at All/ Not Sure
	1514	687	827
	%	%	%
Pay more today	49	61	39
Pay less today	9	12	6
Pay about the same	33	23	42
Not applicable	6	2	10
Not sure	3	2	3

Acceptability of Increased Cost-Sharing

A modest majority of those who pay a larger proportion of their health costs today than they did three year ago, report that this increase in cost-sharing is at least somewhat acceptable. However, 41% say that it is very or somewhat unacceptable.

The proportion who say that increased cost-sharing is very unacceptable is somewhat higher among those in the lowest income group (28%), and among Medicaid patients (24%).

Table 7-4

ACCEPTABILITY OF INCREASES IN OUT-OF-POCKET COSTS

Base: All paying a larger proportion today

Q. Overall, how acceptable has this increase in your health care costs been to you—very acceptable, somewhat acceptable, somewhat unacceptable, or very unacceptable?

		Household Income					Current Type of Health Insurance					
	Total	$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 or More	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance	Corporate Employees*
Base =	736	247	139	119	91	71	485	320	222	55	26	624
	%	%	%	%	%	%	%	%	%	%	%	%
Very acceptable	11	10	12	12	11	10	12	10	12	22	12	10
Somewhat acceptable	44	36	48	45	49	55	49	45	45	31	35	43
Somewhat unacceptable	21	21	25	23	22	21	21	20	17	18	23	30
Very unacceptable	20	28	14	18	18	14	18	21	19	24	15	16
Not sure	3	5	1	3			1	4	2	5	15	1

*Source: A very similar question in Equitable Health Care Survey III, 1985.

Effects of Increased Cost-Sharing on Consumer Behavior

There are two reasons for employers and government health care programs to increase cost-sharing. The first is to reduce the share of health care cost borne by the health care plan. The second is to seek to make the consumer a more cost-effective and price-conscious buyer of health care services (thereby, it is hoped, increasing price competition among providers).

This survey shows that increased cost-sharing is having at least some effect on the behavior of health care consumers, even if there is still very little comparison shopping on the basis of price (see Chapters 3 and 6). Nearly half (49%) of all heavy users whose cost-sharing has increased, say that it has changed the way they use health services a great deal or somewhat.

Significant numbers of those heavy users with all types of insurance, and in all income groups, report that their use of health care services has been affected by increased cost-sharing. But this is much more common among the lowest income groups, those with Medicaid, and those with no health insurance.

It is noteworthy that heavy users are more likely than are corporate employees to report that their behavior has changed a great deal as a result of increased cost sharing—25% of heavy users compared to 14% of employees.

Observation:

Given the low levels of comparison shopping, based on hospital costs or doctors' fees, it is likely that at least some of the reported changes in behavior include the reduced use of health care services, rather than the substitution of lower cost services for higher cost alternatives. This may include reductions which are broadly acceptable, as well as others which reflect reduced access to care.

Table 7-5

IMPACT OF INCREASED OUT-OF-POCKET COSTS ON USE OF HEALTH CARE SERVICES

Base: All paying a larger proportion today

Q.: How much do you think having to pay more for your health care has changed the way you and your family use health care services—a great deal, somewhat, not much, or not at all?

		Household Income					Current Type of Health Insurance					
	Total	$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 or More	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid*	No Health Insurance*	Corporate Employees**
Base	736	247	139	119	91	71	485	320	222	55	26	624
	%	%	%	%	%	%	%	%	%	%	%	%
A great deal	24	32	22	18	11	7	19	19	18	38	50	14
Somewhat	25	25	29	24	23	25	27	25	16	24	12	27
Not much	20	20	16	21	26	20	19	21	23	24	23	25
Not at all	31	19	33	35	40	46	33	33	38	15	12	32
Too early to say/not sure	2	4	1	1	1	1	1	2	3	4	4	1

*Caution: Small samples

**Source of Corporate Employees data is Equitable Health Care Survey III, 1985

Variations on Deductibles and Co-Payments

Heavy users of health care services have health plans which vary greatly: some have small deductibles or no deductibles; some make small co-payments or no co-payments; while others share substantially in the cost of their health care services.

Observations:

1. *In reviewing the data in Table 7-6, it is necessary to note that these replies are subject to error because people do not actually know the exact size of their deductibles or co-payments. However, heavy users are more likely to be well-informed about their health plans than are people who use their health insurance less often.*

2. *That almost one-quarter of heavy users pay no deductibles or no co-payments suggests that in some health plans there is scope for more cost-sharing. On the other hand those with the highest levels of cost-sharing may be very adversely affected. Some plans may already have reached the point where cost-sharing reduces access to care, or creates substantial financial problems for heavy users.*

Table 7-6

SIZE OF DEDUCTIBLES AND COPAYMENTS

Q. Most health plans or health insurance require you to pay a deductible on doctors' bills, which is what you must pay each year before the insurance starts to pay your doctors' bills. Approximately how big a deductible do you pay for either yourself or your family?

Q. Is this deductible for you as an individual, or for your family?

Q. Most health plans or health insurance also pay only a part of each doctor's bill, with the patient paying a certain percentage of each bill. Approximately what percentage of each doctor's bill do you have to pay, which is not covered by insurance?

	Total
Base	1514
	%
Size of Deductibles for Doctors Bills	
$0	24
$1-$100	27
$101-$200	16
$201-$400	9
$401 or more	7
Not sure	12
No health insurance	5
Deductible is for	
Individual	60
Family	38
Not sure	2
Size of Copayments for Doctors Bills	
0%	23
1-15%	8
16-20%	33
21-99%	11
It depends	4
Not sure	14
No health insurance	5

CHAPTER 8:
ACCEPTABILITY OF SPECIFIC COST-MANAGEMENT POLICIES

Reactions to Ten Specific Cost-Management Policies

Heavy users were asked to react to ten specific cost-management policies. Some of these changes are acceptable to the overwhelming majority. Others are broadly unacceptable. It is noteworthy that the reactions of heavy users to these policies are substantially different from the replies given in 1985 by a sample of corporate employees.*

Substantial majorities of heavy users say that all increases in cost sharing are unacceptable. Their replies vary from the 83% who say that increased copayments are unacceptable, to the 62% who say that increased contributions to insurance premiums are not acceptable. These replies show that heavy users are much more hostile to increased cost-sharing than are employees.

One other specific policy is regarded as unacceptable by a majority of heavy users—the policy of prior approval before admission to the hospital for non-emergency treatment. Here again, heavy users are much less willing to accept change than are most employees.

While heavy users are strongly resistant to any changes which increase their out-of-pocket costs, they are willing to accept many other changes. Sizable majorities say that they find both required second opinions and the option of joining an HMO acceptable changes. Very large majorities find it acceptable to be required to participate in a wellness program, or to be offered a disability case management program. Reactions to being offered a PPO option are more mixed, although a plurality finds this acceptable.

*Source: The Equitable Health Care Survey III, 1985.

Observation:

The large differences between the replies of heavy users and those of employees, relating to cost-sharing, have a clear message for policymakers. They indicate that increased cost-sharing is viewed very critically by most heavy users of health care services (who, of course, tend to be affected much more adversely than is the rest of the population by increased deductibles and copayments).

On the other hand, the generally positive response given to the questions about HMOs and PPOs (even if these involve only offering the alternative, and do not require people to join) suggest a much more promising area for future changes in health plans.

Table 8-1

ACCEPTABILITY OF SPECIFIC POLICIES TO CONTROL HEALTH CARE COSTS

Q: Now I'd like to ask you about changes that some health insurance plans are making. Please tell me if you think each change is acceptable as a way of containing health care costs, or not. We'd be interested in your opinion even if this does not apply to your health insurance plan. (PROMPT: Is that an acceptable change, or not)?

Base: 1514	Total (Heavy Users)	Corporate Employees*
	%	%
Increasing the part of **the insurance premium** which people must pay for health insurance coverage, so that the government or **employer who is paying most of the premium pays less**		
Acceptable	28	N/A
Not acceptable	62	N/A
Increasing the deductible, which is the amount people with health insurance must pay before the plan starts to cover **their doctors bills**		
Acceptable	25	54
Not acceptable	68	45

(Continued)

Table 8-1
(Continued)

ACCEPTABILITY OF SPECIFIC POLICIES TO CONTROL HEALTH CARE COSTS

Base: 1514	Total (Heavy Users)	Corporate Employees*
	%	%
Requiring people **to pay part of the cost of each medical bill** where previously their insurance covered the whole cost of **these bills**		
Acceptable	31	53
Not acceptable	62	46
Requiring people to pay a larger part of each medical bill where previously their insurance covered the whole cost of these bills		
Acceptable	11	49
Not acceptable	83	49
Requiring people to **obtain approval from the insurance company** or health plan before admission to the hospital for non-**emergency treatment**		
Acceptable	36	53
Not acceptable	59	44
Requiring people to get a **second opinion** by a second doctor **before they have non-emergency surgery**		
Acceptable	77	68
Not acceptable	19	30
Offering people the opportunity **to join an HMO** or health maintenance organization, in which people pay a monthly fee that covers the cost of nearly all medical care, so that they do not pay a bill each time they go to a doctor or **hospital**		
Acceptable	70	70
Not acceptable	19	23
Offering people the opportunity **to use a PPO** or preferred provider organization, in which people **pay less** if they use doctors or hospitals on the list approved by the plan, but **pay more for using doctors or hospitals not on the list**		
Acceptable	49	62
Not acceptable	41	35
Requiring people to participate in **a wellness program** where people can get advice and help on how to improve their **health and prevent disease**		
Acceptable	83	N/A
Not acceptable	14	N/A
Having **a disability case management** program in which a nurse **works with disabled people to help them to return to work**		
Acceptable	92	83
Not acceptable	4	14

Notes: (1) Corporate employees from Equitable Health Care III Survey, 1985.

(2) "Not sure" responses have been omitted.

CHAPTER 9:
THE SAFETY NET: HOW MANY ARE SLIPPING THROUGH AND WHO ARE THEY?

How Many Failed to Get Needed Care and Reasons Why

The overwhelming majority of heavy users feel that they succeeded in obtaining all the health care services which they needed in the previous 12 months. Only 7% said that they failed to obtain the care they needed. However, it should be remembered that 7% of all heavy users represents more than 2 million people.

The two most common reasons why people fail to get the health care services that they need are that the services cost too much, or that they do not have adequate insurance coverage. However, there are also other reasons for failing to obtain needed care, which would not be affected by improved insurance coverage.

Observation:

The repetition of this question in a survey of the population in a few years' time would indicate whether access to care is improving or deteriorating among those who most often use health care services.

Table 9-1

WHETHER FAILED TO OBTAIN NEEDED CARE, AND REASONS FOR FAILURE

Q. Was there any time in the last year—since (DATE ONE YEAR AGO) 1985— that you needed medical help but did not get it for some reason?

	Total
Base	1514
	%
Yes, there was a time	7
No, wasn't	93

Q. What was the **main** reason that you did not get the medical help you felt you needed?

	All Who Failed to Get Medical Help
Base	111
	%
It cost too much	33
Not covered by insurance	25
Did not know a good doctor or clinic to go to	8
Could not get an appointment	5
Would have had to wait too long in the doctor's office or clinic	4
There was no easy way to get to the doctor's office or clinic	4
Couldn't find anyone to take care of the children	2
Condition not serious enough	2
Too nervous or afraid	1
Other	14
Not sure	1

Who Failed to Get Needed Care

The proportion of those who fail to obtain needed care varies somewhat among different groups. It is somewhat higher among those in the lowest income group (12%), among those whose health status is only fair or poor (12%), those who are disabled (13%), those on Medicaid (15%), and those without health insurance (16%).

It is also marginally higher among those whose health care plans have changed a great deal or somewhat in the last three years (9%), than it is among those whose plans have changed not much or not at all (6%). It is particularly high among those whose plans were changed, and who report that the changes in their plan were not very, or not at all acceptable (15%).

Table 9-2

PROFILE OF THOSE WHO FAILED TO OBTAIN NEEDED CARE

Q.: Was there any time in the last year —since (DATE ONE YEAR AGO) 1985— that you needed medical help but did not get it for some reason?

	Base	%
Total (All Heavy Users of Health Care Services)	1514	7
Sex		
Male	474	7
Female	1040	7
Age		
18-29 years	342	7
30-39 years	341	11
40-49 years	209	7
50-64 years	307	8
65 or more	304	4
Household Income		
$15,000 or less	465	12
$15,001 to $25,000	281	7
$25,001 to $35,000	281	5
$35,001 to $50,000	205	3
$50,001 or more	157	7
Health Status		
Excellent	412	4
Good	623	6
Fair or poor	471	12
Disabled		
Yes	425	13
No	1080	5
Current Health Insurance		
Through work or union	1049	6
Through family or other group	607	7
Medicare	378	5
Medicaid	104	15
No health insurance	80	16
Change in Health Plan in Last 3 Years		
A great deal or somewhat	687	9
Not much or not at all	827	6
Changes in plan were not very or not at all acceptable	220	15

Consequences of Failing to Obtain Needed Care

A majority of those who failed to obtain needed care suffered adversed consequences, in that they got worse or are still sick.

Table 9-3

CONSEQUENCES OF FAILING TO GET NEEDED CARE

Base: All who failed to obtain needed care

Q. What was the **result,** if any, of not getting the care? What else?

	Total
Base	111
	%
Got worse, was sick longer, pain	54
There was no result or effect	14
Got better by itself	11
Am still sick	8
Missed work/school	7
Got treatment elsewhere	5
Financial hardship	5
Family hardship	5
Other	5
Not sure	1

CHAPTER 10: FINANCIAL PROBLEMS CAUSED BY ILL HEALTH

Proportion Whose Illness Caused Financial Problems

Virtually one-half (49%) of all heavy users say that illness has caused them financial problems in the last year, and 18% say that these were major problems. Those with low incomes, who are disabled, or whose health is only fair or poor, are the most likely to have experienced major financial problems. A much smaller proportion of pregnant women (7%) suffered major financial problems than did all other heavy users (19%), which is perhaps because 80% of heavy users who gave birth have private sector health insurance.

Table 10-1

SERIOUSNESS OF FINANCIAL PROBLEMS CAUSED BY ILLNESS

Q. How serious a **financial** problem has illness been to you in the last year—has it been a major problem, a minor problem, or has it been no financial problem at all?

	Base	Major Problem	Minor Problem	No Problem at All
Total (All Heavy Users of Health Care Services	1514	18	31	50
Sex				
Male	474	21	28	49
Female	1040	17	33	50
Household Income				
$15,000 or less	465	31	30	36
$15,001 to 25,000	281	16	33	51
$25,001 to $35,000	281	13	39	47
$35,001 to $50,000	205	8	33	59
$50,001 or more	157	6	22	71
Disabled				
Yes	425	35	28	36
No	1080	12	33	55
Health Status				
Excellent	412	8	29	63
Good	623	14	34	52
Fair or poor	471	32	31	36
Giving Birth Versus All Others				
Giving birth	176	7	35	57
All others	1338	19	31	49

Table 10-2

WAYS IN WHICH ILLNESS HAS BEEN A MAJOR FINANCIAL PROBLEM

Base: All those for whom illness has been a major financial problem

Q.: In what way has illness been a major financial problem? (IF NEEDED: What caused the problem?)

	All With a Major Financial Problem From Illness
Base	272
	%
Had to pay lots of bills	39
Inadequate insurance coverage	22
Couldn't work, lost wages	21
No insurance	12
Big debt remaining	12
Lost job	6
Changed job	1
Other	13
Not sure	4

CHAPTER 11:
CASE MANAGEMENT SERVICES

Perceived Availability and Use of Case Management Services

Many heavy users (39%) believe that if they had a serious and expensive illness, their health insurance would provide a health care professional to help them choose the services they would need. Perceived availability of case management services is highest in the West (46%).

Nine percent of heavy users say that they have used the services of a health care professional, paid for by their health insurance plan, to help them choose the services that they need. This includes between 9% and 13% of each of the major categories of public and private insurance.

Table 11-1

AVAILABILITY AND USE OF CASE MANAGEMENT SERVICES

Q : If you had a serious and expensive illness or injury, would your health insurance plan provide you with a health care professional to help you choose the services you need, or not?

Q.: (IF "YES") Have you ever made use of such a health care professional paid for by your health insurance plan to help you choose services you need, or not?

		Current Type of Health Insurance				Region			
	Total	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	East	Mid-West	South	West
Base	1514	1049	607	378	104	353	413	468	280
	%	%	%	%	%	%	%	%	%
Insurance would provide	39	42	43	43	42	37	38	39	46
Insurance would not provide	38	36	34	29	36	34	36	33	31
Not sure	23	23	24	27	22	27	22	22	19
Have used a health care professional to help choose services	9	10	9	12	13	9	8	8	11

Familiarity With, and Membership in Health Maintenance Organizations

Less than one-quarter (22%) of heavy users are very familiar with health maintenance organizations and, just under one-half (47%) are very or somewhat familiar. However, more than one-third of heavy users (36%) are not at all familiar with HMOs.

The level of familiarity is somewhat higher among heavy users in 1986 than it was among all adults in 1984.* This difference undoubtedly reflects, at least in part, the growing awareness of HMOs with each passing year. It does not necessarily mean that heavy users are any more familiar with HMOs today than is the general public.

Some groups among the heavy users are more familiar with HMOs than others. The proportion who are very familiar is a little higher in the West, and a little lower in the South. It is highest among those aged 30-39, and lowest among those aged 65 and over. And it is higher among those with employer-provided insurance than it is among the rest of the heavy user population.

While HMO membership has undoubtedly been growing among heavy users, as among the population generally, as yet no more than 9% of them have joined HMOs. Membership is higher in the West (14%) and Midwest (11%) than it is in the South (6%) and East (6%).

Observation:

HMO membership among heavy users may be higher in the West but, given the overall low level of the HMO membership a few years ago, it has clearly grown in all regions of the country.

**Source: Harris survey for Kaiser Family Foundation, 1984.*

Table 12-1

FAMILIARITY WITH HMOS

Q. Before this interview, how familiar were you personally with the term "health maintenance organization," or its abbreviation "HMO"—very familiar, somewhat familiar, not too familiar, or not at all familiar?

		Region				Age					Type of Health Insurance					
	Total	East	Midwest	South	West	18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance	All Adults* 1984
Base	1514	353	413	468	280	342	341	209	307	304	1049	607	378	104	80	1004
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Very familiar	22	22	23	19	25	19	34	24	21	13	26	18	14	14	15	14
Somewhat familiar	25	27	29	22	22	26	27	25	27	19	28	25	21	19	10	27
Not too familiar	17	16	16	20	15	16	13	19	17	22	16	19	22	13	13	19
Not at all familiar	36	34	31	40	37	39	26	32	35	46	30	37	43	54	61	39

*Source for "All Adults": Harris Survey for Kaiser Family Foundation, 1984

Table 12-2

HMO MEMBERSHIP

Q.: As you may know, in an HMO a monthly fee paid in advance covers nearly all of a member's health and medical care. No matter how many times a member uses them, there are no additional doctor's bills or hospital bills. However, members obtain health care **only** from a group of medical doctors who work with the HMO, and they use only the hospitals where they are referred. Are you a member of an HMO or not?

		Region				Current Type of Health Insurance			
	Total	East	Midwest	South	West	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid
Base	1514	353	413	468	280	1049	607	378	104
	%	%	%	%	%	%	%	%	%
Yes, member	9	6	11	6	14	10	9	6	8
No, not member	89	92	87	91	84	87	88	91	87
Not sure	2	2	2	2	2	2	2	2	4

Interest in Joining HMOs

There are substantial opportunities to greatly expand HMO membership among heavy users. For every heavy user who is already a member of an HMO, there is another who is very interested in joining, and almost three others who are somewhat interested.

The level of interest in joining HMOs is more or less the same among heavy users as it was in 1984 among all adults who were eligible to join but not already members.* Given the explosive growth of HMO membership nationally—reported to be about 25% annually over the last two years—it is clear that there is a massive potential for expanding HMO membership among heavy users.

Interest in HMO membership is spread throughout all regions, all income groups, and among those with excellent, good, fair, or poor health. The main differences (and these are not very great) are between people with different types of insurance coverage. Those on Medicaid and those with no health insurance are the most likely to express an interest in HMOs, while people on Medicare are the least likely to do so. Interest also drops slightly as income increases.

Observation:

These findings indicate the tremendous potential for managing health care costs through the increased enrollment of heavy users in HMOs. Unlike increased cost-sharing and some other cost-management methods, HMO membership could grow rapidly without generating increased dissatisfaction from the public generally, or from employees.

*Ineligible non-members were **not** excluded from those questions in the heavy user survey. It is possible that the overall level of interest could increase or decrease slightly if this ineligible group had been excluded. But in no way would it substantially change the high degree of interest in joining HMO's among heavy users.*

Table 12-3

INTEREST IN JOINING AN HMO

Base: All heavy users who are not members of HMOs

Q.. From what you know now about health maintanance organizations, how interested would you be in joining an HMO—very interested, somewhat interested, hardly interested, or not at all interested?

	Heavy Users Who Are Not HMO Memebers	Non-Members Among All Adults*
Base	1382	230
	%	%
Very interested	9	8
Somewhat interested	26	32
Hardly interested	13	17
Not at all interested	46	40
Not sure	5	

*Source: Harris survey for Kaiser Family Foundation, 1984, of all adults aged 18 and over

Table 12-4

INTEREST IN JOINING AN HMO

Base: All not members of HMOs

Q: From what you know now about health maintanance organizations, how interested would you be in joining an HMO—very interested, somewhat interested, hardly interested, or not at all interested?

	Base	Very Interested	Very or Somewhat Interested
Total	1382	9	35
Region			
East	333	11	34
Midwest	368	8	36
South	439	10	38
West	242	7	33
Income			
$15,000 or less	440	11	38
$15,001 to $25,000	249	10	40
$25,001 to $35,000	253	9	37
$35,001 to $50,000	177	10	35
$50,001 or more	146	6	32
Health Status			
Excellent	371	9	37
Good	566	9	34
Fair or poor	438	10	37
Type of Health Insurance			
Through work or union	939	8	36
Through family or group	552	8	34
Medicare	356	7	27
Medicaid	96	18	41
No health insurance	78	18	46

Interest in Joining HMOs Linked to Hospital or Doctor of Choice

While interest in joining HMOs is already high in relation to current membership, it could be greatly expanded if HMOs are linked to patients' own physicians, or to the hospitals of their choice. The proportion of heavy users who say they are very interested in joining an HMO increases from 9% to 20% if the HMO is available through the hospitals of their choice; and it increases to 34% if they could continue to use their current doctors. Thus, nearly four out of ten heavy users (38%) are very interested in joining an HMO if it is available either through the hospital or doctor of their choice.

Observation:

These data demonstrate forcefully the tremendous potential for enrolling heavy users of health care services in IPAs and other HMOs which offer the use of many doctors and popular hospitals. Health providers should not underestimate the premium that heavy users place on a hospital's reputation for providing quality care, and a convenient location.

Table 12-5

HOW INTEREST IN HMO MEMBERSHIP INCREASES WHEN LINKED TO HOSPITAL OR DOCTOR OF CHOICE

Base: All not members of HMOs

Q.: From what you know now about health maintenance organizations, how interested would you be in joining an HMO—very interested, somewhat interested, hardly interested, or not at all interested?

Q.: Some hospitals are thinking of starting their own HMO's, in which members would receive their care from doctors who are on the staff of that hospital and, when necessary, be admitted to that hospital. If the hospital of your choice offered you membership in their HMO, how interested would you be in joining—very interested, somewhat interested, hardly interested, or not at all interested?

Q.: Another possibility is that the doctor you use most might join an HMO. If so, you could join this HMO, continue to use this doctor, and be admitted by him to any hospitals he would choose. If this happened, how interested would you be in joining this HMO—very interested, somewhat interested, hardly interested, or not at all interested?

	Initial Interest in Joining	Interest if Linked to Hospital of Choice	Interest if Could Continue to Use Current Doctor	Net Interest if Could Use Doctor or Hospital of Choice
Base	1382	1382	1382	1382
	%	%	%	%
Very interested	9	20	34	38
Somewhat interested	26	37	39	53
Hardly interested	13	11	7	14
Not at all interested	46	25	16	28
Not sure	5	6	4	8

CHAPTER 13: PPO MEMBERSHIP: THE POTENTIAL

Interest in Joining PPOs

Interest among heavy users in joining PPOs is almost as great as it is for HMOs, even though this is a much newer form of health care delivery.

At the time of the survey, 5% of all heavy users reported being members of PPOs. Seven percent of the remainder say that they are very interested in joining PPOs, and 28% are somewhat interested. This level of interest is spread more or less uniformly across all regions of the country, and among those with all types of health insurance.

Observation:

When one compares the responses to questions about PPOs with those about HMOs, it is clear that the restrictions which both place on patients' choices are not fundamental barriers to very rapid growth in membership. However, it should be remembered that the growth of HMOs has been fueled not only by employee and public support. Growth has also come from an increased understanding among employers that a capitation-based payment system fundamentally changes the motivation of health care providers. Discounted fee-for-service methods such as PPOs do not do so. Only time will tell if this new form of managed care, when linked to rigorous pre-admission and utilization reviews, will be as effective in containing health care costs as HMOs have proved to be.

Table 13-1

MEMBERSHIP IN PPOs

Q. A PPO or Preferred Provider Organization is a new type of organization of doctors and hospitals which provides health care services to its members at a less expensive or discounted price.

If you belong to a PPO, you pay a lower deductible and a smaller part of each doctor's bill, but only if you use a PPO doctor and are admitted to a hospital which belongs to the PPO. But if you use a doctor who is not a member of the PPO you pay more.

A member of a PPO can choose from a list of doctors and hospitals which have agreed to provide their services at a reduced cost.

Are you a member of an organization like this, or not?

	Total
Base	1514
	%
Yes, member	5
No, not member	92
Not sure	2

Table 13-2

INTEREST IN JOINING PPOs

Base: Heavy users who are not members of a PPO

Q.: How interested would you be in joining a PPO—very interested, somewhat interested, hardly interested, or not at all interested?

		Household Income					Current Type of Health Insurance				
	Total	$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 or More	Through Work or Union	Through Self, Family or Other Group	Medicare	Medicaid	No Health Insurance
Base	1432	449	271	256	188	146	982	572	369	99	77
	%	%	%	%	%	%	%	%	%	%	%
Very interested	7	8	7	5	6	5	6	8	5	6	12
Somewhat interested	28	28	31	34	26	27	30	26	20	30	30
Hardly interested	17	14	20	16	23	18	19	16	14	11	10
Not at all interested	44	44	39	41	40	47	42	45	50	44	43
Not sure	5	6	3	4	4	3	3	5	11	7	5

Interest in Joining PPOs Linked to Doctor and Hospital of Choice

Interest in joining PPOs increased dramatically when heavy users were given the option to continue to use the doctors and hospitals of their choice. The proportion who said that they were very interested tripled, from 7% to 24%, when this option was offered.

Observation:

It follows that the more doctors and hospitals which offer their services through PPOs, the more effective this concept will be, and the more membership will increase.

Table 13-3

HOW INTEREST IN JOINING A PPO INCREASES IF LINKED TO CURRENT HOSPITAL AND DOCTOR

Q.: How interested would you be in joining a PPO—very interested, somewhat interested, hardly interested, or not at all interested?

Q.: Let's say the doctor and the hospital you use most often were part of the PPO. You could continue to use them and it would cost you less to use them, but it would cost you more if you used other doctors or hospitals which were not part of the PPO. How interested would you then be in joining—very interested, somewhat interested, hardly interested, or not at all interested?

	Initial Interest in Joining	Interest if Could Continue to Use Current Doctor and Hospital
	%	%
Very interested	7	24
Somewhat interested	28	35
Hardly interested	17	12
Not at all interested	44	24
Not sure	5	4

CHAPTER 14:
STRESS:
PREVALENCE AND CONSEQUENCES

Prevalence of Stress Among Heavy Users

Heavy users of health care services experience somewhat more stress than does the public generally. Thirty-five percent of heavy users feel under great stress at least several days a week, and 19% do so almost every day (as compared with 27% and 14% of adult Americans). Heavy users aged 40-64 experience stress more frequently than do younger and older heavy users.

Observation:

This finding tends to support the hypothesis that some people use health care services more because they are under heavy stress. However, two other plausible hypotheses are that those who are sick more often suffer more stress as a consequence of their poor health, or that stress helps to cause or exacerbate illness.

How Many Take Steps to Control Stress

Seven out of every 10 heavy users say that they take active steps to try to control the stress in their lives. This figure is identical for heavy users and for the public generally.

Observation:

Despite the fact that equal proportions of heavy users and adults generally take steps to control stress, it is still more prevalent among the heavy users.

Table 14-1

PREVALENCE OF STRESS AMONG HEAVY USERS

Q. Almost all people have some **stress** in their lives, but some have a **great deal** of stress. How often do **you** feel under **great** stress—almost every day, several days a week, once or twice a week, less often than once a week, or never?

	Total	Age 18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over	All Adults*
Base	1514	342	341	209	307	304	1256
	%	%	%	%	%	%	%
Almost every day	19	13	20	23	25	14	14
Several days a week	16	20	21	20	10	6	13
Once or twice a week	26	32	29	25	28	16	33
Less often than once a week	26	27	24	25	25	28	30
Never	12	7	5	5	11	30	10
Not sure	1	*	1		*	5	1

*Source of "All adults" data: Harris Survey for Prevention Magazine, 1985

Table 14-2

PERCENT WHO TAKE STEPS TO CONTROL STRESS

Q. Do you consciously take steps to control or reduce the stress in your life, or not?

	Total (Heavy Users)	All Adults*
Base	1514	1256
	%	%
Yes, take steps to control stress	69	69
No, don't take steps	30	31
Not sure	1	*

*Source of "All adults" data: Harris Survey for Prevention Magazine, 1985.

Consequences of Stress

One-quarter (26%) of all heavy users say that they have had real problems in the past year which they felt were caused by stress, rather than by physical illness. This is particularly true of people aged 40 to 65, of those in only fair or poor health, and of those who are disabled. Stress-related health problems are lowest among those over 65.

Of those who have suffered stress-related health problems in the last 12 months, fully 51% report that they were completely prevented from performing their daily routines as a result of these problems. And the median number of days in which they were unable to perform their daily routine because of health problems was 18.

The number of days "lost" because of stress varies substantially within different groups:

— Middle-aged people, up to the age of 65, lost more days because of stress than did younger people; but this falls sharply after the age of 65, the usual age for retirement.

— Those in the lower income groups, particularly those in households with less than $15,000 income, lose more days through stress than do people with higher incomes.

— Those on Medicaid or who have no health insurance, lose more days through stress-related health problems than do those with private-sector insurance or Medicare.

Overall, stress clearly affects the poor, the underprivileged, and the least healthy the most.

Observations:

1. *The surprisingly large number of days in which people are unable to perform their daily routines is obviously a finding of importance. While it is not possible to completely separate ill health caused by stress and stress caused by ill health, these data strongly suggest that stress is a major cause of health problems; and that there are substantial consequences from these problems on many of those whose health is affected by stress.*

2. *The economic consequences for employers and the country as a whole are also substantial, even though the number of days when daily routines could not be performed are not all "work days." Some of the days lost are to people not working, and not all the other days are necessarily working days. The survey does not provide a measure of the number of work-days lost through stress, but it would appear to be substantial.*

Table 14-3

HEALTH CONSEQUENCES OF STRESS

Q. Have you had any health problems in the past year that you feel were caused by stress rather than physical illness?

		Age					Health Status			Limiting Disability or Health Problems	
	Total	18-29 Years	30-39 Years	40-49 Years	50-64 Years	65 and Over	Excellent	Good	Fair or Poor	Yes	No
Base	1514	342	341	209	307	304	412	623	471	425	1080
	%	%	%	%	%	%	%	%	%	%	%
Yes, have had health Problems	26	21	26	33	36	15	16	26	34	34	22
No, have not had health problems	72	78	72	63	61	81	83	72	61	62	76
Not sure	3	1	2	3	3	4	1	2	4	4	2

Table 14-4

EFFECT OF STRESS-RELATED HEALTH PROBLEMS ON DAILY LIFE

Base: All who have had stress-related health problems

Q. Did any of these problems completely prevent you from performing your daily routine for any period of time?

	All Who Have Stress-Related Problems
Base	388
	%
Completely prevented from performing daily routine	51
Not completely prevented from performing daily routine	48
Not sure	1
Median number of days prevented from performing daily routine (among those who lost days)	18

Table 14-5

NUMBER OF DAYS WHEN DAILY ROUTINE NOT PERFORMED BECAUSE OF STRESS-RELATED HEALTH PROBLEMS

Q: In total, about how many days last year were you **unable** to perform your daily routine because of health problems you feel were caused by stress rather than physical illness?

	Base	Percent of Heavy Users Losing Any Days	Median Number of Days Lost
All heavy users	1514	12%	18
Sex			
Male	474	11%	20
Female	1040	13%	15
Age			
18-29 years	342	12%	12
30-49 years	341	13%	12
40-49 years	209	14%	21
50-64 years	307	18%	29
65 and over	304	7%	17
Household Income			
$15,000 or less	465	16%	29
$15,001 to $25,000	281	13%	19
$25,001 to $35,000	281	10%	15
$35,001 to $50,000	205	11%	11
$50,001 and over	157	10%	12
Health Status			
Excellent	412	7%	15
Good	623	11%	13
Fair or poor	471	19%	27
Disabled			
Yes	425	22%	30
No	1080	9%	10
Number of Nights in Hospital in Last Year			
0	548	13%	13
1-2	236	7%	6
3-5	291	7%	9
6-10	223	16%	22
11 or more	198	19%	28
Health Insurance			
Through work or union	1049	12%	13
Through self, family or group	607	12%	21
Medicare A or B	378	10%	20
Medicaid	104	19%	26
No health insurance	80	14%	24

CHAPTER 15: LIFESTYLES AND RISK FACTORS: HEAVY USERS AND THE PUBLIC COMPARED

A Comparison Between Heavy Users and the General Public of Lifestyles and Risk Factors

There is no evidence that heavy users of health care services currently have less healthy lifestyles, or higher risk factors, than does the public generally. They are about as likely as is the general public to get regular exercise, marginally less likely to smoke, and more likely to wear seatbelts. They report a lower consumption of alcohol, and they are less likely to drink and drive.

Observations:

1. *The apparently higher level of seatbelt usage among heavy users may be a result of the one year difference in time between the two measures. The use of seatbelts has increased dramatically for each of the last several years, and is almost certainly still rising, as an increasing number of states have made this mandatory.*

2. *Harris surveys for* ***Prevention*** *Magazine have shown that there is a tendency for many people to change their behaviors and reduce their risk factors only after they have suffered a health problem. Those who are fit and healthy are often less likely to feel that they need to take regular exercise, stop smoking, or reduce their alcohol consumption or their weight. It is probable, therefore, that the responses given by some heavy users of health care services reflect these changes and that many of them had less healthy habits in the past, when they were still apparently much healthier. The challenge facing society is how to persuade those who are fit and healthy, and who do not feel themselves to be at risk, to adopt healthy behaviors and reduce their risk factors — and so reduce their chances of becoming heavy users themselves.*

Table 15-1

LIFESTYLES AND BEHAVIORS OF HEAVY USERS COMPARED TO ALL ADULTS

	Total (Heavy Users)	All Adults*
Base	1514	1256
	%	%
Get regular exercise	75	77
Smoke cigarettes	26	30
Wear seat belt all the time in front seat of car	53	41
Alcohol Consumption		
Never	43	33
3 days a month or less	36	35
1 or 2 days a week	12	19
3 days a week or more	8	12
Sometimes drink and drive	16	25
Self Reported Weight		
Underweight	10	
		53
Right weight	41	
Overweight	48	46

*Source of "All Adults" data: Harris survey for Prevention Magazine, 1985, except "Self Reported Weight," which is from Harris Survery for Pacific Mutual Insurance Company, 1978.

APPENDIX: SURVEY METHOD

Sample Design

A nationwide cross-section of 8,400 individuals in 3,900 households was screened in order to locate a representative sample of 1,514 adults who had either been hospitalized overnight in the past year, or had seen a doctor 10 or more times. The initial sample was generated by random-digit dialing, based on an unclustered sampling frame, stratified by geographic region, and by the Census Bureau's "size of place" designations.

Interviewing

All interviews were conducted by telephone, during May and June 1986, from the New York offices of Louis Harris and Associates. Respondents were interviewed at home from 5:00 p.m. to 10:00 p.m. (local time) on week nights, and from 10:00 a.m. to 10:00 p.m. (local time) on weekends.

All interviews were conducted on the Harris firm's Computer-Assisted-Telephone-Interviewing (CATI) System. This system allows data to be entered directly into a main-frame computer, as the interview is being conducted. This method also provides for superior quality control against errors.

Up to three callback attempts were made to reach all selected respondents.

Questionnaire

Copies of the questionnaire used for this survey can be obtained from Louis Harris and Associates.

Data Processing

The editing, coding, and data processing of all questionnaires were conducted by Louis Harris and Associates.

Codes were developed for responses to open-ended questions, with only those responses given by less than 0.2% of the respondents being coded as "other" responses.

Sampling Error

The table below indicates the sampling error associated with various sample sizes and the reported sample percentages, at the 95% confidence level.

REPORTED SAMPLE PERCENTAGE

Sample Size	10% or 90%	20% or 80%	30% or 70%	40% to 60%	50%
2,500	1	2	2	2	2
2,000	1	2	2	2	2
1,500	2	2	2	3	3
1,000	2	2	3	3	3
900	2	3	3	3	3
800	2	3	3	3	3
700	2	3	3	4	4
600	2	3	4	4	4
500	3	4	4	4	4
400	3	4	4	5	5
300	3	5	5	6	6
200	4	6	6	7	7
100	6	8	9	10	10
50	8	11	13	14	14

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THE EQUICOR HEALTH CARE SURVEY - VI

LOOKING TO THE FUTURE OF RETIREE HEALTH BENEFITS

Conducted

June-August 1986

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INTRODUCTION

Background

Many companies began providing health benefits to retired employees and their dependents during the 1960s. The birth of Medicare in 1966 apparently accelerated this trend, as it left employers paying only a small proportion of retirees' health costs*.

This practice has continued unabated until today. Most companies pay retiree health costs as part of their operating costs, as opposed to establishing a fund for this purpose. Retiree health plans do not fall under the 1974 ERISA statute, which requires the prefunding of pension plans, strict measurement of future pension costs, and their disclosure in financial statements. Thus, companies are not bound to project liability for retiree health costs (a difficult task), and include it in their balance sheets. Until recently, this system caused little alarm among employers, since the annual costs of providing retiree health benefits were relatively modest and appeared to be under control.

But major demographic changes have focused both employers and government policymakers' attention on the potentially vast liability carried by companies which provide retiree health benefits. These changes include the growth in the size of the retiree population, increased life expectancy among Americans, and rapidly increasing total health costs per Medicare beneficiary. These changes, along with the continued high inflation of all health costs, have strained the Medicare system's ability to provide universal health insurance to Americans age 65 and over.

Medicare has responded by increasing the deductibles and premiums paid by retirees. It also has frozen the level of doctor's payments, and now introduced Diagnostic-Related Groups (DRGs), a fundamental change in the way Medicare provides coverage. Other cuts in the level of Medicare coverage may soon come. More costs will then shift to the elderly, and to employers who provide retiree health benefits and other third-party payors. There will be greater health costs per retiree, and many more retirees covered under employers' plans.

*Employee Benefit Research Institute Issue Brief, No. 47, October 1985.

A few companies have cancelled retiree health plans, and then lost breach-of-contract suits brought against them by unions or retirees. Federal courts have upheld employees' right to receive post-retirement health benefits promised to them by an employer. However, other recent court rulings have allowed companies to implement the same cost control measures in retiree health which they have put into health plans covering active employees.

The magnitude of the problem for businesses has not been determined. Estimates of employers' total liability for retiree health benefits have run as high as $100 billion.

A consensus seems to be emerging among employers and lawmakers in Washington that the problem requires immediate attention. Congress has debated the subject this year. The Treasury Department will release a report on the subject in 1987. And the Financial Accounting Standards Board (FASB) is reviewing a proposal that would require employers to include calculations of future liability for retiree health costs in their financial statements.

The Substance of the Survey

The main purpose of the survey is to provide baseline information about the prevalence of employer-provided retiree health plans; how much of a problem their current costs present to employers; and how great a problem these costs may become. This is the first national survey to address the subject of employer-provided retiree health benefits through interviews with corporate employers, retirees, and current employees.

The employers component also documents specific cost management steps which employers have taken to control retiree health costs, and their effectiveness; and what further steps employers may take to manage future retiree health costs. In addition, employers reacted to a number of proposed policy changes which the government might take to help employers manage future retiree health costs.

The retiree and employee components provide an array of demographic and attitudinal information regarding retiree health benefits, nursing home care, retirement planning, and health status, including:

- The number of retirees who claim to have employer-provided health benefits, and the number of employees who believe they will receive retiree health benefits from their current employer;

- The importance of retiree health benefits, and other retirement benefits, to retirees and current employees;

- The specific types of health costs which retirees and employees believe are covered under employer-provided retiree health plans;

- The acceptability, prevalence, and effect on retirees of health care cost control changes made by former employers;

- The potential for enrolling retirees in HMOs and PPOs;

- Retirees and current employees' perceptions about their future health insurance needs, and the types of future health costs which concern them most;

- Retirees' and employees' thoughts about nursing home care, and how they would pay for it; and the extent to which they plan, or planned, for retirement;

- And a final section provides measures of retirees' health status, financial status, and satisfaction with their standard of living.

The EQUICOR Health Care Survey VI is the sixth survey conducted by Louis Harris and Associates for EQUICOR (formerly The Equitable Group & Health Insurance Company). Project Directors for this Survey were: Humphrey Taylor, President and Stuart Leichenko, Research Associate. The other five surveys were:

- **The Equitable Health Care Survey: Options for Controlling Costs,** which provided a detailed assessment of the attitudes of the American public, employers, unions, hospital administrators, health insurance executives, and the elected leaders of physicians' organizations to a wide range of health care cost containment policies. It was conducted in 1983.

- **The Equitable Health Care Survey II: Physicians' Attitudes Toward Cost Containment,** conducted in 1984, surveyed the views of a national cross-section of physicians on these same issues.

- **The Equitable Health Care Survey III: Corporate Initiative and Employee Attitudes on Cost Containment,** published in June 1985, was the first detailed study of how corporations had fared in their health cost containment efforts; how employees had reacted to changes in their health care benefits; how acceptable they found these changes; and how their use of health care services had been affected by these changes.

- **The Equitable Health Care Survey IV,** published in November 1985, measured the incidence of flexible benefit plans, the experiences of employers and employees, and the prospect for the further use of flexible benefit plan options.

- **The EQUICOR Health Care Survey V,** published in October 1986, provides the first detailed portrait of heavy users of health care services, that minority of Americans who account for the bulk of the nation's health care costs. The survey shows who they are, how they use health services and their attitudes about it, their reactions to a range of specific cost management policies, and who among them is failing to get needed health care services.

The Samples

This new survey is based on interviews with three separate national samples: 500 corporate benefits officers in companies with at least 500 employees; 1,000 current full-time employees in companies with at least 500 employees nationwide; and 501 retirees who worked at least 5 years for a company or non-government organization which had at least 100 employees nationwide. The retirees sample is limited to those who could be interviewed in their own homes. Retirees who are unable to conduct a telephone interview because of illness or disability, and those permanently institutionalized, were excluded from this survey.

The interviewing was conducted during June and July, 1986.

Note on the Tables

Percentages in the tables may not add up to 100% because of rounding or the acceptance of multiple responses.

Acknowledgements

Louis Harris and Associates is indebted to EQUICOR for making this research possible. The help of James Glynn and Karen Krett is gratefully acknowledged. They made important contributions to the design of the study, and the development of the questionnaire.

Final responsibility for the design and implementation of the survey, and for the findings and conclusions contained in this report, rests with Louis Harris and Associates.

SURVEY HIGHLIGHTS

This summary provides an overview of the results of the survey. Many findings described in the body of the report are not summarized here. Interested readers are urged to examine the full report for a more complete understanding of the survey results.

The Present and Future Costs of Retiree Health Benefits

1. **Corporate costs for retiree health benefits are presently under control, but the findings suggest that a cost crisis looms for some companies which are committed to provide many future retirees with health benefits.**

   The preponderance of corporate benefits officers feel that retiree health costs are somewhat or completely under control. Total costs for retiree health benefits currently average about 16% of corporate health costs in companies which provide retiree health benefits. Only 23% of corporate benefits officers say that retiree health costs are growing at a faster rate than health costs for active employees. And the median annual composite health cost for retirees is $1,113, compared to $1,678 for active employees (although about half of corporate benefits officers could not name these figures for either group).

   But 47% of corporate benefits officers expect the cost of providing retiree health benefits to become a major problem for their company within 10 years, and 37% predict that these costs will become a minor problem. This is in part because the number of retirees covered by company health plans is expected to double by 1996. Today, in companies providing retiree health benefits, an average of 25 retirees are covered for every 100 active employees covered under the company health plan. In 10 years, this figure will leap to 55 retirees for every 100 active employees.

   Several other factors could also cause retiree health costs to spike upward in the near future, including: increased life expectancy among Americans; continued health care cost inflation, and parallel growth in total health costs per elderly person; and the further shifting of health costs to third-party payors as a result or DRGs and other possible cuts in the level of Medicare coverage.

2. **Ignorance, and an unwillingness to address the problem, characterize most companies' efforts to manage the future cost of retiree health benefits. A head-in-the-sand approach toward managing future liability for these costs appears to be the norm among corporations.**

   Sixty-nine percent of companies providing retiree health benefits have not conducted financial projections beyond 1986 to measure future health costs for retirees and their dependents.

   Only 7% of these companies have taken steps in the last three years to limit the number of future retirees who will receive health benefits. Of the remainder, just a few (6%) plan to do this in the next three years. A scant 2% of these companies have stopped contributing to the cost of health benefits for some retirees since 1983, and virtually none of the remaining 98% plan to do this in the next three years.

   This situation in no way reflects employers' attitudes toward cancelling retiree health benefits, or installing cost management controls in them. Forty percent of all corporate benefits officers (including those whose companies do not have retiree health plans) believe that companies have the right to cancel a retiree health plan. And an overwhelming 91% believe that employers have the right to install the same cost control measures in retiree health plans that they have installed in active employee health plans.

Steps Companies Have Taken, or Could Take, to Control Retiree Health Costs

1. **In fact, many employers already have introduced cost control measures in retiree health plans. They report mixed results on their effectiveness in controlling costs.**

   Since 1983 substantial minorities of employers have introduced such cost control measures in retirees' health plans as utilization reviews,

increased contributions to premiums, increased deductibles, and required second opinions. But only 25% of companies which have changed retiree health plans in the past three years consider these cost control measures very effective in controlling retiree health costs, while 61% consider them somewhat effective.

Significantly, a 63% majority of companies providing retiree health benefits would like to begin taking steps, or take more extensive steps, to control their future retiree health costs. The main reasons cited for not doing this are employee or union opposition and, to a lesser extent, fear of lawsuits. However, the findings reported above suggest that ignorance about the potential size of future commitments may also explain employers' inertia.

2. **Other findings in the survey substantiate employers' fear of employee, retiree, or union backlash. Retirees will fiercely resist forced changes in the way they are accustomed to using health services, and will be less willing than younger people to join HMOs and other managed care systems.**

   Large numbers of retirees—ranging from pluralities to strong majorities—balk at various changes in health plans which increase their out-of-pocket costs. For example, 79% regard increased co-payments as unacceptable. Retirees demonstrate much less willingness than current employees to accept increased cost-sharing and other cost-control changes in their health plans. The only change in health plans which garners strong support from retirees is the institution of a wellness program, which 69% favor.

3. **Not surprisingly, retiree health benefits are considered very important by overwhelming majorities of retirees who have them, and current employees who expect to receive them.** They rank second in importance only to pension benefits.

4. **The findings reveal a clear potential for enrolling many more retirees in HMOs and PPOs than the small numbers who currently belong. But retirees show less interest in all forms of HMOs, including those linked to patients' hospital or doctor of choice, than do younger people.**

   Younger retirees show the most interest in joining HMOs, which suggests that the best strategy would be to enroll people while they are employees, or as soon as they retire.

Federal Policymaker's Role in Helping Companies Manage Retiree Health Costs

1. **A federal policy allowing employers to create medical IRAs—tax-deductible or tax-exempt matching fund accounts for employees—proved most popular with corporate benefits officers among seven possible policy changes which were tested.**

   More than eight in 10 corporate benefits officers say that tax-deductible or tax-exempt medical IRAs would be very or somewhat helpful to them in managing retiree health costs.

   Other potential policy changes which won majority support were: giving Medicare patients a financial incentive to join HMOs; allowing full tax-deductible status for voluntary employee benefit associations, known as VEBAs or 501(c)(9) trusts; and allowing employers to convert their retiree health plans into separate health care pension plans (in effect, changing their plans from an open-ended commitment to coverage to a system of fixed payments for health care costs).

   It appears that employers lend the most support to government policy changes which would require the smallest financial commitment from companies, or allow them to greatly reduce their future liability for retiree health costs. The least popular changes would require increased cash commitments from employers, through pre-funding requirements, or expose them to the greatest scrutiny of their liability for these costs. Only 9% said that requiring employers to disclose unfunded liability for retiree health benefits would be a very helpful government policy change.

Retirees' Health and Financial Status

1. **The portrait of retirees drawn from these findings is of a largely healthy group that is satisfied with its standard of living, and satisfied with the health services it uses. Most retirees appear comfortable with the**

status quo, which has not changed much for the vast majority since retirement.

Two-thirds of retirees describe their health as excellent (23%) or good (43%), another quarter (24%) say that their health is fair, and 11% believe that their health is poor.

Three-fourths of retirees express satisfaction with the health services that they use, and 49% are very satisfied. Only 14% report dissatisfying experiences, overall, with health services. However, dissatisfaction is much higher among disabled retirees, and the minority who are in fair or poor health.

Perhaps most important, fully 92% of retirees claim to be very satisfied (61%) or somewhat satisfied (31%) with their current standard of living. Of equal import, almost as many report that their standard of living has not changed since retirement (66%), or actually has increased (15%).

These overall findings vary little by income, and across other key demographic groups. However, there are important relative differences in levels of satisfaction. Fewer young retirees, poor retirees, and retirees in fair or poor health are very satisfied with their standard of living. For example, 43% of those with incomes of $15,000 or less are very satisfied with their standard of living, compared to 84% of retirees with incomes of at least $35,000.

Retirees' and Employees' Views About Nursing Home Care

1. **Few retirees or current employees devote much thought to the possibility that, someday, they or their spouses may need full-time care in a nursing home or other retirement facility. Both groups consist mainly of healthy people, who appear unconcerned that illness or old age may one day rob them of independence.**

   The possibility of needing to enter a nursing home has crossed the mind of a majority of retirees (55%), but only 21% claim to have given this subject a lot of thought.

   As for worrying about paying for nursing home care, it just doesn't play a role in the everyday lives of retirees or employees. A mere 15% of retirees and 3% of employees worry a great deal about how they would pay for nursing home care.

2. **It should thus come as no surprise that both groups are misinformed about how they would pay for nursing home care.**

   About one-third of retirees (31%) and employees (36%) believe, correctly, that they probably would pay for nursing home care themselves. Another 10% of retirees and 24% of employees mistakenly believe that employer-provided insurance would cover these costs. Almost no private health plans cover nursing home costs. Nor does Medicare, but 15% of retirees and 13% of employees believe that it would. Only 3% of either group mentioned Medicaid as a source of support for nursing home costs, but it was not determined if these people realize that Medicaid only provides this coverage to those who have almost no assets. The great majority of retirees and employees will clearly be ill-prepared to face these costs, should they ever need to live in a nursing home or other full-time care facility.

3. **Potential demand for long-term care insurance is substantial. Employees show a fairly high level of interest in trading some current benefits provided by their employer in exchange for insurance coverage for future nursing home costs.**

   Five percent would be very interested in making this type of trade, and 32% would be somewhat interested. It seems reasonable to assume that demand for long-term care insurance would increase if many more employees realized that they do not have long-term coverage (even though most do not worry about this subject).

CHAPTER 1: RETIREE HEALTH COVERAGE: WHAT EMPLOYERS PROVIDE, AND WHAT THEY PLAN TO PROVIDE

What Employers Provide Now

Forty-five percent of companies with 500 or more employees nationwide currently contribute to the cost of health benefits for employees who retire before age 65. Somewhat fewer companies of this size pay for some health care costs for retirees after age 65 (38%).

Companies which employ 3,000 or more employees are more likely than are smaller companies to pay for health care costs for both early retirees and those retiring after age 65 (Table 1). Service companies are much less likely than companies in other industries to pay for retirees' health care costs.

The vast majority (93%) of companies providing retiree health benefits also continue health coverage for retirees' spouses and dependents; and 79% also continue this coverage for spouses and dependents after the retiree dies (Table 2).

A majority of these companies pay between 75% and 100% of the premiums for both retirees and their dependents (Table 3).

During the past three years, a minority of companies providing health benefits to retirees have either increased the level of health benefits to retirees, or made more retirees eligible to receive health benefits from the company (Table 4).

Table 1

PERCENT OF COMPANIES WITH 500 OR MORE EMPLOYEES THAT PROVIDE HEALTH COVERAGE TO RETIREES BEFORE AND AFTER AGE 65

Q.1 (Corporate Benefits Officers): Does your company currently contribute to the cost of any health benefits for early retirees, who retire before age 65, or not?

Q.2a (CBO's): Does your company currently contribute to the cost of any health benefits for retirees after age 65, or not?

Q.2d (CBO's): How likely is it that in the next 3 years your company will begin offering health benefits for retirees after age 65—very likely, somewhat likely, not too likely, or not likely at all?

	Base		Percent of Companies Contributing... Before Age 65	After Age 65
Total	500	%	45	38
Number of Employees				
500-1,000	214	%	26	20
1,001-3,000	114	%	52	43
3,001-5,000	44	%	52	50
5,001 or more	51	%	61	49
Type of Company				
Manufacturing	209	%	53	46
Wholesale or Retail	124	%	41	34
Financial	53	%	57	51
Services	109	%	28	20
Other	57	%	51	40

Table 2

PERCENTAGE OF COMPANIES PROVIDING HEALTH BENEFITS TO RETIREES THAT ALSO COVER SPOUSES AND DEPENDENTS, AND LENGTH OF COVERAGE

Q.5 (CBO's): Do spouses and dependents of retirees over age 65 receive the same medical coverage as retirees, reduced coverage, or no medical coverage at all?

Q.6 (CBO's): Does medical coverage for spouses and dependents of retirees continue after the retiree dies, or not?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Spouses and Dependents Receive...	
Same coverage	93
Reduced coverage	1
No coverage at all	5
Not sure	2
After Retiree Dies, Spouses' and Dependents' Coverage*...	
Yes, coverage continues	79
No, coverage stops	18
Not sure	3

*Base: Only those companies providing health benefits to spouses and dependents of retirees (n = 177).

Table 3

PERCENTAGE OF PREMIUMS FOR RETIREES, AND SPOUSES, PAID FOR BY COMPANY

Base: Companies with 500 or more employees providing health benefits to retirees aged 65 and over

Q.7 (CBO's): What percentage of the premium for the retiree does the company pay for?

Q.8 (CBO's): What percentage of the premiums for spouses and dependents of retirees does your company pay for?

Base: 190	Q.7 Retirees	Q.8 Spouses and Dependents
	%	%
None of the premium	2	7
1-25% of the premium	1	2
26-50% of the premium	9	12
51-75% of the premium	6	7
76-99% of the premium	12	12
100% of the premium	55	46
Depends (vol.)	8	8
Not sure	5	5
Refused	1	1

Table 4

PERCENTAGE OF COMPANIES PROVIDING RETIREE HEALTH BENEFITS THAT HAVE INCREASED THEM, OR MADE MORE RETIREES ELIGIBLE FOR THEM, IN PAST 3 YEARS

Base: Companies with 500 or more employees providing health benefits to retirees aged 65 and over

Q.3c (CBO's): In the past 3 years, has your company increased the level of health benefits for any of its retirees after age 65, or not?

Q.3d (CBO's): In the past 3 years, has your company relaxed eligibility criteria to make more retirees eligible after age 65 for company-paid health benefits, or not?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
In past 3 years, have increased the level of health benefits	22
In past 3 years, have made more retirees eligible	6

Different Types of Retiree Health Plans

Employers provide several major types of health plans to their retirees. The most common is the "Medicare carve-out" plan, in which retirees receive the same medical coverage as active employees, after Medicare payments are subtracted out. Seventy-two percent of companies use this type of plan. Other common retiree health plans are: a "Medicare supplement," which coordinates the employer's benefit plan and Medicare benefits to provide up to 100% coverage for retirees (46%); and an "exclusion plan," which subtracts Medicare payments before applying deductible and copayment provisions. As Table 5 shows, 53% of companies which provide retiree health benefits offer more than one type of health plan.

Table 5

DIFFERENT TYPES OF RETIREE HEALTH PLANS PROVIDED BY EMPLOYERS

Base: Companies with 500 or more employees providing health benefits to retirees age 65 and over

Q.4 (CBO's): I'm going to name several types of health care coverage for retirees which different employers use. Please say if your company uses each type, or not. Do you have (READ EACH ITEM)?

Base: 190		Have	Do Not Have	Not Sure
A "Medicare carve-out" plan in which retirees receive the same medical coverage as active employees, after Medicare payments are subtracted out	%	72	27	1
A "Medicare supplement" plan which coordinates the employer's benefit plan and Medicare benefits to give retirees up to 100% coverage	%	46	52	2
An "exclusion plan" which subtracts Medicare payments before applying deductible and copayment provisions	%	26	69	4
A "fixed allowance plan," which pays only for specific benefits not covered by Medicare	%	8	88	4
Any other types of health coverage for your retirees	%	15	83	2
Percentage of companies providing more than one type of retiree health plan		53%		

What Companies Plan to Do in the Next Three Years

Only a small minority of companies are likely to begin providing such benefits in the next three years. Only 6% of corporate benefits officers say their companies are very likely to do so, and 12% are somewhat likely (Table 6).

Excessive cost is the most common reason given by corporate benefits officers whose companies are not likely to begin offering retiree health benefits (37%). Companies' established policy, few retirees or older employees, and Medicare coverage are other reasons given for not offering retiree health benefits (Table 7).

Table 6

PERCENT OF COMPANIES WITH 500 OR MORE EMPLOYEES THAT MAY BEGIN OFFERING RETIREE HEALTH BENEFITS IN NEXT 3 YEARS

Q.2d (CBO's): How likely is it that in the next 3 years your company will begin offering health benefits for retirees after age 65—very likely, somewhat likely, not too likely, or not likely at all?

	Total
Base	500
	%
Very likely	6
Somewhat likely	12
Not too/not at all likely	38
Not sure	5

Table 7

REASONS WHY SOME COMPANIES ARE NOT LIKELY TO OFFER BENEFITS TO RETIREES

Base: Those not too, or not at all likely to begin offering retiree benefits in next 3 years

	Not Too/Not at all Likely to Begin Offering Retiree Health Benefits
Base	188
	%
Costs/too expensive	37
Not company policy/never offered it	18
Few retirees/few in age group	16
Retirees have Medicare	9
Employer benefits continued but retirees pay costs	7
Legal difficulties	6
Employee turnover/large turnover	5
Other	15
Not sure	10

CHAPTER 2:
EMPLOYEES AND RETIREES DESCRIBE THEIR HEALTH PLANS

Types of Health and Other Benefits that Retirees Have

Nearly all retirees interviewed in this survey have health care coverage through either private insurance, Medicare, or Medicaid (Table 8).* Medicare is the most common plan (74%), but a 52% majority of retirees say they have health coverage from a former employer or union, or a spouse's employer or union. Forty-four percent have bought health insurance themselves, or have it through a group or association other than an employer or union. A 15% minority have Medicaid or other Public Aid; only 3% say that they have no health insurance.

Observation:
This finding should come as reassuring news to policymakers. Only a small fraction of the retired persons in this survey claim to have no health insurance. However, this group excludes many of the most underprivileged elderly, such as the chronically poor who have never worked, or worked only sporadically during their lives.

Sixty percent of retirees in this group receive pension benefits from their former employer; 40% have life insurance, and 10% say that they receive some other kind of benefits from their former employer (Table 9).

Eighty-five percent of retirees who have health coverage from a former employer say that they worked 15 or more years for that company (Table 10).

*Note: Eligible retirees were defined as those who had worked at least five years for a company or non-governmental organization which had at least 100 employees in the United States.

Table 8

TYPES OF HEALTH INSURANCE THAT RETIREES HAVE

Q.3a (Retirees) Now I'd like to talk about the different kinds of health plans or health insurance that you may have, including those provided by the government. As I read each of the following health plans, please tell me whether you are covered by it. Are you covered by (READ ITEM)?

Base: 501		Yes, Covered	No, Not Covered	Not Sure
Medicare Part A or Part B	%	74	26	*
Health insurance paid for by retirees' or spouses' former employer or union	%	52	48	
Health insurance through some group or association or bought directly by retirees or their families	%	44	55	*
Medicaid or other Public Aid	%	15	85	*
No health insurance	%	3	97	

*Less than 0.5%

Table 9

PERCENT OF RETIREES WHO RECEIVE PENSION BENEFITS, LIFE INSURANCE, AND OTHER BENEFITS

Q.8a (Retirees): Do you currently receive (READ EACH ITEM) from your former employer, or not?

Base: 501		Yes, Receive	No, Do Not Receive	Not Sure	Refused
Pension benefits	%	60	39	*	1
Life insurance	%	40	59	1	*
Any other kind of benefits besides health care coverage	%	10	89	1	—

*Less than 0.5%

Table 10

YEARS IN COMPANY SERVED BY RETIREES WHO GET HEALTH INSURANCE FROM THEIR FORMER EMPLOYER

Q.7c. (Retirees): For about how many years did you work for the company that provides health care benefits to you?

	Retirees Who Have Health Care Benefits From Their Former Employer, or a Spouse's Employer
Base	259
	%
Number of Years Served	
1-6 years	2
7-10 years	5
11-14 years	5
15 or more years	85
Not sure	3

Employees' Perceptions About Receiving Retiree Health Coverage

Sixty percent of people currently working in companies with 500 or more employees believe that some retirees from their company continue to receive health coverage. Among this sixty percent, nearly three-fourths believe that everyone who retires from their company receives health benefits (Table 11).

But a much larger 88% of this same group—the 60% who say their company provides retiree health benefits—believe that they will continue to receive health coverage from their company if they work there until retirement. The strength of this belief varies little among employees of different ages, and income levels (Table 12).

Table 11

EMPLOYEES' PERCEPTIONS ABOUT WHETHER ALL, SOME, OR NO RETIREES WILL RECEIVE HEALTH BENEFITS FROM THEIR COMPANY

Q.7a (Employees): Do any people who retire from your company continue to get some health benefits or health insurance through your employer's health plan, or not?

Q.7b (Employees): Is everyone who retires eligible for health benefits, or does it vary from person to person?

	All Retirees
Base	1,005
	%
Q.7a	
Yes, all or some retirees get health benefits	60
No employees get benefits	12
Not sure	29

	Retirees Who Say Company Provides Retiree Health Benefits
	601
	%
Q.7b	
Everyone gets retiree health benefits	73
It varies	17
Not sure	10

Table 12

HOW MANY EMPLOYEES THINK THEY WILL RECEIVE RETIREE HEALTH BENEFITS FROM THEIR EMPLOYER

Base: Employees who say their companies provide retirees with health benefits

Q.7e. (Employees): If you continue to work for this company or organization until you retire, will your health insurance benefits continue after you retire or not?

Employees Who Say Their Company Provides Health Care Benefits to Retirees By...

		Age				Income				
	Total	18-29 Years	30-39 Years	40-49 Years	50 and Over	$15,000 or Less	$15,000 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 and Over
Base	601	137	189	157	112	36	107	142	156	125
	%	%	%	%	%	%	%	%	%	%
Health benefits will continue	88	88	91	87	85	89	86	85	88	94
Will not continue	8	4	5	9	15	6	8	11	7	6
Not sure	4	8	4	4	—	6	6	4	4	1

What Retiree Health Plans Cover

Current employees' perceptions about what health costs their retiree health plans will cover are largely consistent with the actual coverage reported by retirees. Virtually identical proportions of both groups say that their retiree health plans either cover, or will cover, hospital care, doctors fees, prescription drugs, and other health costs. Small minorities of both groups believe that their employer-provided health plans cover, or will cover, the cost of nursing home care or home care (Table 13).

Table 13

WHAT RETIREE HEALTH PLANS COVER: A COMPARISON OF RETIREES' COVERAGE WITH FUTURE RETIREES' PERCEPTIONS

Q.7f (Employees): After you retire, would your health insurance benefits from your employer pay for part of the cost of (READ EACH ITEM), or not?

Q.7a (Retirees): Do your health insurance benefits from your former employer pay for all or part of the cost of (READ EACH ITEM), or not?

	Retiree Coverage...	
	Q.7a Pays for All or Part of the Cost for Current Retirees*	Q.7f Would Pay for the Cost for Future Retirees**
Base	259	528
	%	%
Hospitalization	86	91
Doctors' fees	79	83
A catastrophic or major illness	72	82
Nursing Home care or a senior citizens' hotel	22	25
Home care--that is, medical or nursing services at your home	35	39
Prescription drugs	74	75

*Base: Retirees who receive health benefits from their former employer, or a spouse's employer

**Base: Employees who say they will receive health benefits from their employer when they retire

The Importance of Employer-Provided Benefits to Current and Future Retirees

Retiree health benefits are very important to overwhelming majorities of both retirees who have employer-provided health benefits and employees who expect to receive them (Table 14). These benefits rank second in overall importance only to pension benefits. Fifty-six percent of retirees and 60% of all employees rank pension benefits first in importance among benefits which they receive, or expect to receive, in retirement (Table 15).

Observation:

Employers contemplating changes in retiree health plans should understand the importance which retirees attach to this benefit. As subsequent chapters will show, employers who curtail present or future retiree health benefits risk strong opposition from employees or unions, and perhaps legal action. Managing the future cost of retiree health benefits will be a daunting task.

Table 14

IMPORTANCE OF EMPLOYER-PROVIDED RETIREE HEALTH INSURANCE TO BOTH CURRENT RETIREES AND FUTURE RETIREES

Q.7b (Retirees): How important to you is the health care coverage that you receive from your former employer—very important, somewhat important, not too important, or not important at all?

Q.7g (Employees): How important to you is the health care coverage that you will receive from your employer after you retire—very important, somewhat important, not too important, or not important at all?

	Q.7b Retirees Who Receive Health Benefits From Their Former Employer, or a Spouse's Employer	Q.7g Employees Who Say They Will Receive Health Coverage From Employer When They Retire
Base	259	528
	%	%
Very important	85	79
Somewhat important	8	13
Not too important	1	5
Not important at all	3	2
Not sure	2	*

*Less than 0.5%

Table 15

MOST IMPORTANT RETIREMENT BENEFIT TO BOTH CURRENT RETIREES AND FUTURE RETIREES

Q.8b (Retirees): Which benefit that you receive from your former employer is most important to you—pension benefits, health care benefits, life insurance, or something else? (PROBE: IF RESPONDENT SAYS TWO OR MORE ARE EQUALLY IMPORTANT, PROBE FOR MOST IMPORTANT BENEFIT.)

Q.7h (Employees): As you know, employers provide many different kinds of benefits to their retired employees. Which benefit do you consider most important for you to receive from your employer when you retire—pension benefits, or health insurance, or life insurance, or something else? **PROBE: IF RESPONDENT SAYS TWO OR MORE ARE EQUALLY IMPORTANT, PROBE FOR MOST IMPORTANT BENEFIT.**

	Q.8b Retirees Who Receive Some Benefits From a Former Employer	Q.7h All Employees
Base	354	1,005
	%	%
Pension benefits	56	60
Health care benefits	28	29
Life insurance	3	5
Other	2	*
Pension and health equally important	6	4
Not sure/refused	5	2

*Less than 0.5%

CHAPTER 3: CORPORATE BENEFITS OFFICERS DISCUSS THE PRESENT AND FUTURE COSTS OF RETIREE HEALTH BENEFITS

The Present Costs of Retiree Health Benefits

Corporate benefits officers report that the median annual composite health cost per active employee is $1,678, compared to $1,113 per retiree (Table 16).

Total costs for retiree health benefits currently average about 16% of corporate health costs for companies which provide retiree health benefits. Only 10% of corporate benefits officers say that retiree health costs exceed 20% of corporate health costs (Table 17).

Forty-six percent of corporate benefits officers say that retiree health costs are growing at about the same rate as health costs for active employees. Only 23% say retiree costs are increasing at a faster rate than costs for active employees, and 17% say they are increasing at a slower rate (Table 18).

As a result, no more than 23% of corporate benefits officers feel that the inflation of their health costs is out of control for either retirees or active employees. The preponderance of corporate benefits officers feel that their companies' current health costs are somewhat or completely under control (Table 19).

Observations:

1. *More striking, and suggestive of widespread ignorance about actual corporate health costs, is the fact that about half of corporate benefits officers say that they did not know the annual composite health cost for active employees or retirees, or the proportion of corporate health costs spent on retirees. But constraints imposed by telephone interviews may have contributed to this. Many of those who did not know may have been able to obtain these figures if they were given notice.*

2. *Total corporate costs for retiree health benefits are currently under control because of Medicare and the small average number of retirees covered per company (see Table 21). But several factors appear likely to drive future corporate costs for retiree health benefits through the ceiling. These include possible long-term effects of Diagnostics-Related Groups (DRGs), future cuts in levels of Medicare coverage, increased life expectancy among Americans, rapidly increasing total health costs per elderly person, and the growing number of retirees. Together, they may produce a huge liability for companies which promised health care coverage to large numbers of retirees and their dependents.*

As the next findings will show, corporate benefits officers recognize that the costs of retiree health benefits may pose major problems for their companies a decade from now. Unfortunately, few know much about the potential size of these costs, or how difficult the management of these costs may be.

Table 16

ANNUAL COMPOSITE HEALTH COST PER ACTIVE EMPLOYEE AND RETIREE IN 1985

Q.11a (CBO's): In 1985, what was your annual composite health cost per active employee?

Q.11b (CBO's): And in 1985, what was your annual composite health cost per retiree?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
1985 Cost per Active Employee	
$1-$1,000	9
$1,001-$1,500	14
$1,501-$2,000	18
$2,001-$3,000	13
$3,001 or more	3
Not sure	43
Median cost for active employees	$1,678
Mean cost for active employees	$1,758
1985 Cost per Retiree	
$1-$999	18
$1,000-$1,500	14
$1,501-$2,000	6
$2,001 or more	6
Not sure	56
Median cost for retirees	$1,113
Mean cost for retirees	$1,234

Table 17

PERCENTAGE OF CORPORATE HEALTH COSTS SPENT ON RETIREES

Q.12 (CBO's): Approximately what percentage of all your corporate health costs are spent on retiree health benefits?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
1-10%	29
11-20%	13
21-30%	6
31-40%	3
41-50%	1
51-100%	2
Not sure	45
Median percentage spent on retirees' health costs	10%
Mean percentage spent on retirees' health costs	16%

Table 18

HOW FAST RETIREE HEALTH COSTS ARE GROWING COMPARED TO ACTIVE EMPLOYEE HEALTH COSTS

Q.11c (CBO's): How fast are your retiree health costs increasing as compared with your active employee health costs—are they increasing much faster, somewhat faster, at about the same rate, somewhat slower, or much slower?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Much faster	8
Somewhat faster	15
About the same rate	46
Somewhat slower	12
Much slower	5
Not increasing at all	1
Not sure	12

Table 19

WHETHER HEALTH COSTS FOR ACTIVE EMPLOYEES AND RETIREES ARE UNDER OR OUT OF CONTROL

Base: Companies with 500 or more employees providing health benefits to retirees age 65 and over

Q.9a (CBO's): Many companies are trying to control their health care costs. In general, would you say that the inflation of your corporate health care costs for active employees is completely under control, somewhat under control, somewhat out of control, or totally out of control?

Q.9b (CBO's): In general, would you say that the inflation of your corporate health care costs for retirees is completely under control, somewhat under control, somewhat out of control, or totally out of control?

Base: 190	Health Costs for Active Employees	Health Costs for Retirees
	%	%
Completely under control	8	11
Somewhat under control	72	65
Somewhat out of control	16	18
Completely out of control	2	5
Not sure	2	2

The Future Costs of Retiree Health Benefits

A 47% plurality of corporate benefits officers think that in 10 years retiree health costs will be a major problem for their company, and 37% feel these costs will be a minor problem. Only 12% feel that retiree health costs will not become a problem. Together, about three-fourths of corporate benefits officers predict that retiree health benefits will cause problems for their companies within 10 years. And the larger the company, the more likely that its retiree health costs will become a major problem (Table 20).

This escalation of costs will be fueled by a huge rise in the number of retirees covered under their company health plans. Corporate benefits officers expect the number of retirees covered to double during the next 10 years. Today, an average of 25 retirees are covered by company health plans for every 100 active employees. In 10 years, corporate benefits officers estimate that number will rise to 55 retirees for every 100 active employees. However, 46% could not estimate the number of retirees who will be covered in 10 years (Table 21).

There is a strong correlation between the number of retirees covered by employer health plans and the magnitude of cost problems that employers foresee. Employers who believe that retiree health benefits will become a major problem currently cover an average of 38 employees for every 100 active employees. The current average drops to 15 retirees covered among employers who predict minor problems with retiree health plans. Among those who foresee no problems caused by retiree health plans, only eight retirees are covered (Table 21).

This correlation holds true for employers' predictions of the number of retirees who will be covered in 10 years. Among those who expect major problems because of retiree health plans, the average will rocket to 77 retirees for every 100 active employees. Growth will be equally dramatic for employers who expect to have minor problems: the average number of retirees covered will nearly triple, from 15 to 43. The minority of employers who expect no problems see the average rising, in 10 years, to 13 retirees for every 100 active employees.

Observation:

As mentioned, large increases in the number of retirees covered may be one of several factors contributing to a rapid escalation in the costs of retiree health benefits. Employers who provide retiree health coverage should recognize this as a warning signal for future problems, if analyses predict a large rise in the number of their retirees.

Unfortunately, only 31% of companies which provide retirees health benefits claim to have conducted financial projections beyond 1986 for expected health costs for retirees and their dependents (Table 22).

Observation:

A crisis looms for businesses which provide retiree health benefits. Many employers recognize that the cost of retiree health benefits may pose a serious problem for their company in the near future. But they are woefully ignorant about the potential size of these costs. A two-thirds majority have not even begun to calculate their potential liability. Federal laws currently do not require companies to pre-fund the costs of retiree health benefits in the same way that ERISA requires pre-funding for pensions benefits. (A separate Harris market research survey conducted for Equicor found that only 27% of employers pre-fund retiree health plans, while 62% use a pay-as-you-go system.) This regulatory freedom has allowed many companies to bury their heads in the sand instead of projecting their potential liability and taking steps to manage it.

The statutory void also has prompted some companies to cancel retiree health plans, only to be sued by employees or unions. Federal courts have upheld employees' rights to receive post-retirement health benefits which employers have promised to them. Court rulings define retiree health benefits as future compensation which employees earn while working for their company. Thus, employers who promise retiree health benefits assume an obligation to provide them.

However, another recent court ruling allows companies to implement the same cost control measures in retiree health plans as they have in active employee plans. As Chapter 4 will show, many companies have begun to do this. But employers should understand that these benefits are very important to retirees and future retirees (see Tables 14 and 15), and that changes that increase the out-of-pocket costs to retirees will meet fierce resistance (see Chapter 5).

Table 20

WHETHER RETIREE HEALTH COSTS WILL BE A MAJOR PROBLEM, A MINOR PROBLEM, OR NOT A PROBLEM IN 10 YEARS

Q.9c (CBO's): If you make no changes in your retiree health plans, do you think that in 10 years time your retiree health costs will be a major problem, a minor problem, or not a problem at all for your company?

	Companies with 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over		
		Number of Employees*	
	Total	3,000 or Less	3,001 or More
Base	190	91	47
	%	%	%
In 10 Years, Retiree Health Costs Will Be a			
Major problem	47	38	53
Minor problem	37	45	30
Not a problem	12	13	13
Not sure	4	3	4

*Note: Results figured on small bases should be interpreted with caution, since the margin of error is much greater.

Table 21

NUMBER OF RETIREES RECEIVING HEALTH COVERAGE FOR EVERY 100 ACTIVE EMPLOYEES: TODAY AND IN 10 YEARS

Q.10a (CBO's): For every 100 active employees covered by your company's health plan, how many retirees are covered?

Q.10b (CBO's): In 10 years time, for every 100 active employees covered by your company's health plan, how many retirees do you estimate will be covered?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over	In 10 Years Retiree Health Cost Will Be:		
		A Major Problem	A Minor Problem	No Problem*
Base	190	89	70	23
	%	%	%	%
Number of Retirees Currently Covered for Every 100 Active Employees				
1-4 retirees	28	20	27	57
5-10 retirees	21	18	24	13
11-20 retirees	14	16	17	1
21-29 retirees	5	7	4	-
30-50 retirees	12	16	9	9
51 or more retirees	6	10	3	-
Not sure	15	13	16	17
Median number of retirees currently covered	10	14	9	2
Mean number of retirees currently covered	25	38	15	8
In 10 Years Number of Retirees Covered for Every 100 Active Employees				
1-10 retirees	26	18	30	48
11-20 retirees	12	9	19	4
21-30 retirees	-	-	-	-
31-50 retirees	7	11	6	-
51 or more retirees	9	12	7	4
Not sure	46	50	38	44
Median number of retirees covered in 10 years	19	23	14	4
Mean number of retirees covered in 10 years	55	77	43	13

*Caution: Small bases are much less reliable. Results should be interpreted with caution

Table 22

PROPORTION OF COMPANIES PROVIDING RETIREE HEALTH BENEFITS WHICH HAVE CONDUCTED FINANCIAL PROJECTIONS FOR FUTURE RETIREE HEALTH COSTS

Q.13 (CBO's): Has your company conducted financial projections beyond 1986 for your expected corporate health costs for retirees and their dependents, or not?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Have conducted financial projections	31
Have not	64
Not sure	5

CHAPTER 4:
WHAT EMPLOYERS ARE DOING, AND WOULD LIKE TO DO, TO MANAGE RETIREE HEALTH COSTS

The Extent and Effectiveness of Changes in Health Plans

In the past three years, 41% of employers have made changes in retiree health plans in order to contain the inflation of these costs. Fourteen percent have changed retiree plans a great deal, and 27% have changed them somewhat. But cost containment changes are much less common in retiree plans than in health plans for active employees. In companies which provide retiree health plans, 81% of corporate benefits officers say health care plans for active employees have changed a great deal or somewhat in the past 3 years (Table 23).

The great majority of corporate benefits officers whose companies have made these changes consider them very or somewhat effective in helping them to manage their health care costs (Table 24). These changes appear to be somewhat more effective in managing health costs for active employees than for retirees: more corporate benefits officers consider changes for active employees very effective (37%) than they do changes for retirees (25%).

Table 23

HOW MUCH EMPLOYERS HAVE CHANGED HEALTH PLANS FOR ACTIVE EMPLOYEES AND RETIREES IN ORDER TO CONTAIN COSTS

Base: Companies with 500 or more employees providing health benefits to retirees age 65 and over

Q.15a (CBO's): How much would you say that you have changed your health care plans for active employees over the last 3 years in order to try to contain health care cost inflation—a great deal, somewhat, not much, or not at all?

Q.16a (CBO's): In the past 3 years, how much would you say that you have changed your health care plans for people who have already retired in order to try to contain health care cost inflation—a great deal, somewhat, not much, or not at all?

	How Much Health Plans Have Changed for...	
Base: 190	Active Employees	Retirees
	%	%
A great deal	36	14
Somewhat	45	27
Not much	11	19
Not at all	7	37
Not sure	1	2

Table 24

EFFECTIVENESS OF CHANGES MADE IN CONTAINING HEALTH COSTS FOR ACTIVE EMPLOYEES AND RETIREES

Base: Companies with 500 or more employees providing health benefits to retirees age 65 and over which have made changes in plans in the past 3 years

Q.15b (CBO's): Overall, how effective do you think that the changes you have made are—or will be—in helping you to control your health care costs for active employees—very effective, somewhat effective, not very effective, or not at all effective?

Q.16b (CBO's): Overall, how effective do you think that the changes you have made are—or will be—in helping you to control your health care costs for retirees—very effective, somewhat effective, not very effective, or not at all effective?

Base: 190	Active Employees	Retirees
	%	%
Very effective	37	25
Somewhat effective	53	61
Not very effective	6	9
Not at all effective	1	1
Not sure	3	4

Specific Changes in Health Plans and Their Effectiveness

Table 25 shows the percentages of employers providing retiree health benefits who have increased contributions, introduced or increased deductibles and made other changes in active employees, and retirees' health plans. The most prevalent changes made for retirees are institution of second opinions (52%), increased deductibles (43%), and institution of utilization reviews (34%).

Somewhat fewer employers have introduced deductibles or co-payments, or increased co-payments or contributions to premiums for retirees. These changes have been made in roughly the same order of frequency for active employees.

Utilization reviews, increased deductibles, and second opinions are the changes considered most effective in containing retiree health costs (Table 26).

Table 25

SPECIFIC CHANGES MADE IN HEALTH PLANS FOR ACTIVE EMPLOYEES AND RETIREES IN THE PAST 3 YEARS

Base: Companies with 500 or more employees providing health benefits to retirees age 65 and over

Q.17a (CBO's): Now I would like to ask you about changes that your company has made in your health care plans for any of your active employees and retirees during the last 3 years. Please say if you have made each change for active employees, retirees, both groups, or for neither group. In the last 3 years, have you (READ ITEM AND PROMPT ANSWER CATEGORIES)?

Base: 190		Active Employees	Retirees	Both Groups	Neither Group	Not Sure
Increased the contribution so that employees or retirees pay a larger part of their health insurance premiums	%	15	4	22	57	1
Required employees or retirees who previously paid no deductible to pay **a deductible**	%	5	2	21	73	
Increased the deductibles paid by employees or retirees	%	9	1	42	48	
Required employees or retirees who previously did not make co-payments **to make co-payments** (to cover part of their medical bills)	%	6	1	18	72	2
Increased the size of co-payments (paid by employees or retirees)	%	7	1	16	75	1
Instituted **second opinions** by a medical professional for non-emergency surgery or treatment for employees or retirees who did not need to get second opinions before	%	17		52	31	1
Instituted **utilization reviews** (by health care professionals when no such reviews were obtained before)	%	12		34	53	2

Table 26

CHANGES MOST EFFECTIVE IN CONTAINING RETIREE COSTS

Q.17b (CBO's): Which changes that you have made are most effective in containing retiree health costs?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Instituted utilization reviews	18
Increased deductibles	16
Instituted second opinions	13
Increased contributions	5
Required retirees to pay a deductible	4
Instituted pre-admission testing	4
Other	15
None effective	6
Have made no changes	18
Not sure	21

Steps Employers Have Taken, or May Take, To Contain Future Retiree Health Costs

Two-thirds (63%) of companies which provide retiree health benefits would like to begin taking steps, or take more extensive steps, to control the future costs of retiree health benefits (Table 27). The main reasons companies have not done this are employee or union opposition and, to a lesser extent, fear of lawsuits.

Only a 7% minority of these companies have taken steps in the last three years to limit the number of future retirees who will receive health benefits. And only a small fraction of the remaining companies (6%) plan to do this in the next three years (Table 28).

The story remains the same regarding cancellation of retiree health plans for some or all employees. Three percent of companies which currently do not provide retiree health benefits report cancelling such a plan in the past three years. Of those companies which do have retiree health plans, only 2% have stopped contributing to health costs for some retirees since 1983. Virtually none of the remaining 98% say that they plan to do this in the next three years (Table 29).

These findings certainly do not reflect employers' attitudes towards cancelling retiree health plans, or installing cost management controls in them. Forty percent of all corporate benefits officers believe that employers have the right to cancel retiree health plans, while 52% do not. And a near consensus of this group (91%) believe that employers have the right to install the same cost control measures in retiree health plans that they have installed active employee plans (Table 30).

Observation:

What factors have restrained employers from taking various steps to control future costs for retiree health benefits, since a large majority would like to and believe it is their right? Some employers cite employee and union opposition, or fear of litigation. Chapter 5 will substantiate that belief: retirees balk at any changes in what they are accustomed, but especially at cost control changes which increase their own health care costs; and cancellation of plans would also generate strong vocal and, perhaps, legal opposition from retirees or their unions. Employers are understandably cautious about retiree and employee backlash.

But a lack of understanding of the potential problems facing them, or an unwillingness to confront them, may also explain employers' inertia. As explained in Chapter 3, the great majority of employers who provide retiree health benefits have not calculated their future costs; and many do not know the current costs of providing retiree health benefits. Nearly half expect to incur major cost problems with retiree health benefits within a decade, but few have moved decisively to project what they will face.

Table 27

HOW MANY COMPANIES WOULD LIKE TO TAKE MORE STEPS TO CONTAIN FUTURE RETIREE HEALTH COSTS, AND WHY THEY HAVE NOT

Q.18a (CBO's): Would your company like to begin taking steps, or take more extensive steps than it already has taken, in order to control the future cost of retiree health benefits, or not?

Q.18b (CBO's): Which of the following is the main reason that you have not taken these steps—fear of lawsuits, employee or union opposition, or something else?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Q.18a	
Would like	63
Would not like	30
Not sure/refused	7
Q.18b	
Fear of lawsuits	8
Employee or union opposition	22
Costs	8
Few retirees	5
Lack of staff	6
Company policy	4
Other	38
Not sure/refused	10

Table 28

HOW MANY COMPANIES HAVE TAKEN STEPS, OR PLAN TO TAKE STEPS, TO LIMIT THE NUMBER OF FUTURE RETIREES WHO WILL RECEIVE HEALTH BENEFITS

Q.20a (CBO's): Has your company taken any steps in the past 3 years to limit the number of future retirees who will receive retiree health benefits, or not?

Q.20c (CBO's): Do you plan to take any steps in the next 3 years to limit the number of future retirees who will receive health benefits, or not?

	Companies With 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Q.20a	
Yes, steps taken in past 3 years	7
No steps taken	91
Not sure	2
Q.20c	
Yes, plan to take steps	6
Do not plan	75
Not sure/refused	11
Already taken steps (in Q.20a)	7

Table 29

PERCENT OF COMPANIES THAT HAVE CANCELLED RETIREE HEALTH PLANS, STOP CONTRIBUTING TO HEALTH PLANS FOR SOME RETIREES, OR PLAN TO STOP IN NEXT 3 YEARS

Q.2b (CBO's): Has your company cancelled a retiree health benefits program or stopped contributing to the cost of health coverage for retirees over the last 3 years, or not?

Q.19a (CBO's): In the past 3 years has your company stopped contributing to the cost of health benefits for any people who have already retired or their dependents, or not?

Q.19b (CBO's): In the next 3 years, do you plan to stop contributing to the cost of health benefits for people who have already retired or their dependents, or not?

	Companies with 500 or More Employees That Do Not Contribute to Health Plans for Retirees Age 65 and Over
Base	310
	%
Q.2b	
Yes, cancelled or stopped retiree health benefits	3
No, have not cancelled or stopped	95
Not sure/refused	2
	Companies with 500 or More Employees Providing Health Benefits to Retirees Age 65 and Over
Base	190
	%
Q.19a	
Yes, stopped contributing for some retirees	2
No, have not	97
Not sure	1
	Companies Providing Health Benefits to Retirees That Have Not Stopped Contributing in Past 3 Years
Base	186
	%
Q.19b	
Yes, plan to stop	2
Do not plan	89
Not sure/refused	10

Table 30

PERCENT OF ALL EMPLOYERS WHO BELIEVE COMPANIES HAVE THE RIGHT TO INSTALL COST MANAGEMENT MEASURES IN RETIREE HEALTH PLANS, OR THE RIGHT TO CANCEL RETIREES' PLANS

Q.23 (CBO's): Do you think that employers should have the right to install the same cost control measures in retiree health plans that they have put into active employee health plans, or not?

Q.24 (CBO's): Do you think that employers should have the right to cancel the entire health benefits plan which they contribute to, for people who have already retired, or not?

	Companies With 500 or More Employees
Base	500
	%
Q.23	
Employers have right to install cost control measures in retiree plans	91
Do not have right	6
Not sure/refused	3
Q.24	
Employers have right to cancel retiree health plans	40
Do not have right	52
Not sure/refused	8
Already taken steps (in Q.20a)	7

CHAPTER 5: RETIREES REACT TO CHANGES IN BENEFITS

Familiarity and Attitudes Toward Cost Management Changes

About half (48%) of retirees in this survey have heard about cost containment changes in government and private health care plans. A 62% majority of those who have heard about these changes think that they are necessary to contain health care costs (Table 31).

Acceptability, and Prevalence, of Changes in Retirees' Health Plans

Large numbers of retirees—ranging from pluralities to strong majorities—regard changes in health plans which increase their out-of-pocket costs as unacceptable. Seventy-nine percent say that increased co-payments would not be acceptable. Fifty-three percent regard increased deductibles as unacceptable; and 47% react negatively to shifting in premium payments from third-party payors to retirees. The only change in health plans that garners strong support from retirees is the institution of wellness programs, which 69% support (Table 32).

But few retirees report that any of these changes have been made in their own employer-provided health plans. Their perceptions are reasonably close to the frequency of changes reported earlier by corporate benefits officers (see Table 25).

Observation:

Employers should not count on shifting a large burden of future health costs to retirees without encountering considerable resistance. These findings reveal some room for increased cost-sharing by retirees, but not much. Retirees react far more negatively to such changes than did the general public or heavy users of health care services in other Harris surveys.

The Effect of Changes in Retirees' Health Plans

Seven percent of retirees who have employer-provided health benefits say that changes made by their former employer have reduced their access to health care (Table 32).

Observation:

For some retirees, especially those with lower incomes, the effects of cost management controls may be reduced access to needed health services, and increased economic hardship.

Table 31

HOW MANY RETIREES HAVE HEARD OF HEALTH CARE COST CONTAINMENT CHANGES, AND THINK THEY ARE NECESSARY

Q.4b (Retirees): Many health insurance plans, including both government and private health insurance, have made changes to slow down the inflation of health care costs. Have you heard about any of these changes, or not?

Q.4c (Retirees): Do you think that these changes are necessary to contain health care costs, or not?

	All Retirees
Base	501
	%
Q.4b	
Have heard about changes	48
Have not heard about changes	52
Not sure	1
	Retirees Who Have Heard About Changes
Base	238
	%
Q.4c	
Yes, changes necessary	62
Not necessary	21
Not sure	17

Table 32

ACCEPTABILITY, PREVALENCE, AND EFFECTS OF CHANGES IN HEALTH PLANS TO RETIREES WITH EMPLOYER-PROVIDED BENEFITS

Base: Retirees who have employer-provided health benefits through their former employer, or their spouses

Q.5a (Retirees): Now I'd like to ask you about changes that some health insurance plans are making. Please tell me if you think each change is acceptable as a way of containing health care costs, or not. We'd be interested in your opinion even if this does not apply to your health insurance plan. READ ITEM AND SAY: "Is that an acceptable change to contain costs, or not?"

Q.5b (Retirees): And is that a change which your former employer has made to your health insurance plan, or not?

Q.6 (Retirees): Have any changes made in your health coverage from your former employer made it harder for you to get health care, or not?

		Q.5a				Q.5b		
		Acceptable	Not Acceptable	Not Sure	Refused	Has Made Change	Has Not Changed	Not Sure
Changing your plan so that you now pay part of your own health insurance premiums when you didn't before	%	41	47	12		18	73	8
Increasing the deductible which you must pay	%	30	53	12		19	69	12
Starting a health promotion or wellness program where you can get advice and help on how to improve your health and prevent disease	%	69	20	11		14	72	14
Requiring you to pay a larger part of each medical bill	%	15	79	7		9	78	12

	Retirees Whose Employer-Provided Health Benefits Have Changed
Base	245
	%
Yes, changes have made it harder to get health care	7
Changes have not made it harder	89
Not sure	4

CHAPTER 6:
THE POTENTIAL FOR ENROLLING RETIREES IN HMOs AND PPOs

Familiarity and Current Membership in HMOs

A 60% majority of retirees have little or no familiarity with health maintenance organizations. Familiarity rises among younger retirees, who are about as familiar with HMOs as heavy users of health services. Heavy users are much younger as a group than most retirees (Table 33).

Six percent of retirees report being members of HMOs, which is somewhat lower than membership among heavy users and the general public, as measured in earlier Harris surveys*.

*Note: Figures for the general public are not shown in a table.

Table 33

RETIREES' FAMILIARITY WITH, AND MEMBERSHIP IN, HEALTH MAINTENANCE ORGANIZATIONS

Q.8c (Retirees): Before this interview, how familiar were you personally with the term "health maintenance organization," or its abbreviation "HMO"—very familiar, somewhat familiar, not too familiar, or not at all familiar?

Q.8d (Retirees): In an HMO, a monthly fee paid in advance covers nearly all of the cost of a member's health and medical care. However, HMO members receive health care only from a group of medical doctors who work with the HMO, and they use only the hospitals where they are referred. Are you a member of an HMO or not?

		Retirees by Age				
	Total Retirees	64 or Less	65-69 Years	70-74 Years	75 and Over	Heavy Users of Health Care Services*
Base	501	141	165	100	86	1514
	%	%	%	%	%	%
Q.8c						
Very familiar	15	23	13	11	9	22
Somewhat familiar	25	24	29	24	20	25
Not too familiar	17	19	16	16	16	17
Not at all familiar	43	34	40	48	55	36
Not sure	1	-	1	1	-	-
Q.8d						
Member of an HMO	6	6	5	8	8	9
Not a member	93	94	95	90	91	89
Not sure	1	-	1	2	1	2

*Source: The EQUICOR Health Care Survey V, 1986

Interest in Joining HMOs

The survey findings suggest significant opportunities to expand HMO membership among retirees. For every retiree who currently belongs to an HMO, there is another retiree who is very interested in joining, and almost two who are somewhat interested. Interest is greatest among those who are dissatisfied with their health services.* But potential HMO growth among retirees is much smaller than it is among the general public and heavy users of health services (Table 34).

Linking HMOs to retirees' own physicians, or to the hospital of their choice, are more attractive options to retirees than the traditional HMO. The proportion of retirees who say they are very interested in joining an HMO rises from 6% to 9% if the HMO is available through the hospital of their choice; and it increases to 14% if they could continue to use their current doctors. Both options are the most attractive to the youngest retirees, those under age 65. Thirteen percent of this group are very interested in joining an HMO linked to the hospital of their choice; and 21% are very interested in joining if they could stay with the doctor of their choice.*

However, even this higher level of interest in alternative HMOs remains much lower than the interest among heavy users of health care services. Nine percent of heavy users are very interested in joining a traditional HMO. This proportion rises to 20% for HMOs available through the hospital of their choice; and it jumps to 34% for HMOs affiliated with their own doctor.**

Observation:

These findings demonstrate a clear potential for enrolling more retirees in managed health care plans. HMOs are certainly a more palatable alternative to retirees than increased cost-sharing and some other cost-containment methods. To accomplish this, employers must first find ways to inform a great many more retirees about HMOs, and opportunities to join. Familiarity with HMOs must rise a great deal above 40% (Table 33).

Employers and other third-party payors also should understand that it will be very difficult to shift large numbers of retirees into HMOs. Many are uncomfortable with change, and will resist efforts to take away what they have known for decades—fee-for-service health care with their own doctors.

The best way to control retirees' health costs through managed care systems would be to enroll them while they are still employed, or as early in retirement as possible. The younger the potential members, the better the chances of persuading them to join HMOs.

*These data are not shown in a table.

**Source: The EQUICOR Health Care Survey V, 1986

Table 34

INTEREST AMONG RETIREES IN JOINING DIFFERENT TYPES OF HMOs

Base: Retirees who do not belong to HMOs

Q.8e (Retirees): From what you know now about HMOs or health maintenance organizations, how interested would you be in joining one—very interested, somewhat interested, hardly interested, or not at all interested?

Q.8f (Retirees): There are two kinds of HMO s that I would like to describe to you. In the first kind a hospital runs the HMO. The hospital provides any necessary hospital care and uses only the doctors who are on the hospital staff. If a high quality hospital near you offered you membership in their HMO, how interested would you be in joining—very interested, somewhat interested, hardly interested, or not at all interested?

Q.8g (Retirees): Another kind of HMO is one in which the doctor you use most would be a member of the HMO staff. You could continue to use his services and, if you needed hospital care, he would choose the hospital.

How interested would you be in joining this kind of HMO—very interested, somewhat interested, not very interested, or not at all interested?

Base: 470	Q.8e Interest in Joining an HMO	All Adult Non-Members*	Q.8f Interest in Joining HMO in Hospital of Choice	Q.8g Interest in Joining HMO Affiliated With Doctor of Choice
	%	%	%	%
Very interested	6	8	9	14
Somewhat interested	11	32	20	18
Hardly interested	9	17	9	9
Not at all interested	66	40	53	50
Not sure	7	1	10	8

*Source: Harris survey for Kaiser Family Foundation, 1984, of all adults aged 18 and over

Interest in Joining PPOs

The potential for enrolling retirees in preferred provider organizations (PPOs) is about equal to that for HMOs. It appears strong enough to possibly triple or quadruple PPO membership among retirees in the near future.

At present, 2% of retirees say that they belong to a PPO. Five percent of the remainder say that they are very interested in joining, and an additional 12% are somewhat interested (Table 35).

Observation:

Just as with HMOs, it will be much harder to shift retirees into PPOs than younger consumers, who generally have less allegiance to particular physicians and health services. Resistance to change from retirees will probably check growth in this new form of managed care.

Table 35

MEMBERSHIP IN PPOs, AND INTEREST IN JOINING, AMONG RETIREES

Q.9a (Retirees): A PPO or Preferred Provider Organization is a new type of organization of doctors and hospitals which provides health care services at a less expensive or discounted price.

If you choose to use a doctor or hospital which belongs to the PPO, you pay a lower deductible and a smaller part of each bill. But you also have the option to use a doctor or hospital which are not members of the PPO, but you will pay more.

Are you a member of an organization like this, or not?

Q.9b (Retirees): How interested would you be in joining a PPO—very interested, somewhat interested, hardly interested, or not at all interested?

	All Retirees
Base	501
	%
Q.9a	
Member of a PPO	2
Not a member	96
Not sure	1
	Retirees Who Do Not Belong to a PPO
Base	490
	%
Q.9b	
Very interested	5
Somewhat interested	12
Hardly interested	12
Not at all interested	63
Not sure	7

CHAPTER 7:
CORPORATE BENEFITS OFFICERS REACT TO FEDERAL GOVERNMENT POLICY OPTIONS

Possible Policy Changes for Managing Retiree Health Costs

Corporate benefits officers rated seven possible federal policy changes which might help companies to manage the future costs of retiree health benefits (Table 36). A federal policy which would allow employers to create medical IRAs—tax-deductible or tax-exempt matching fund accounts for employees—proved most popular. More than eight in 10 corporate benefits officers say that tax-deductible or tax-exempt medical IRAs would be very or somewhat helpful to employers in managing retiree health costs.

Other possible changes which garnered majority support were: giving Medicare patients a financial incentive to join HMOs (72%); allowing full tax-deductible status for voluntary employee benefit associations, known as VEBAs or 501(c)(9) trusts (61%); and allowing employers to convert their retiree health plans into separate health care "pension" plans (57%).

Far fewer corporate benefits officers (46%) felt that ending the limitations on annual employer contributions to 401(h) trusts would help them to control retiree health costs; and only 9% said that requiring employers to disclose unfunded liability for retiree health benefits would be a very helpful government policy change.

Observation:

One interpretation of these findings is that employers lend the most support to government policy changes which would require the smallest financial commitment of them, or allow them to greatly reduce their liability for future retiree health costs. Conversely, the least popular policy changes would require increased cash commitments through pre-funding vehicles, or expose them to the greatest scrutiny of their liability for these costs.

Table 36

HOW HELPFUL VARIOUS POLICY CHANGES WOULD BE TO EMPLOYERS IN MANAGING RETIREE HEALTH COSTS

Base: All companies with 500 or more employees

Q.26 (CBO's): Now I will read you some policy changes which the government might make. Please say for each change how helpful you think it would be to companies like yours—very helpful, somewhat helpful, not very helpful, or not helpful at all?

Base: 500		Very Helpful	Somewhat Helpful	Not Very Helpful	Not Helpful at All	Not Familiar (Vol.)	Not Sure
Allow employers to create tax-deductible matching fund accounts with employees—sometimes called medical-IRA's—which employees could use to pay for health insurance in retirement, or for long-term care costs	%	33	49	10	6	1	2
Create an even more attractive form of medical-IRA's (like the one I just described), but where retirees pay no taxes on funds used for health care or long-term care costs	%	44	39	10	4	1	2
Require employers to disclose unfunded liability for retiree health benefits	%	9	29	27	23	4	8
Allow employers to end their open-ended commitments to give retirees health care coverage, and instead pay retirees specified dollar amounts for health care—in effect, creating separate health care "pension" plans	%	15	42	22	15	*	6
Giving Medicare patients a financial incentive for joining HMOs, so that more retirees become HMO members	%	32	40	15	9	*	3
Allow full tax-deductible status for 501(c)(9) trusts, known as VEBA's (IF NECESSARY: Voluntary employee benefit associations)	%	30	31	5	4	28	3
End the limitations on annual employer contributions to 401(h) trusts	%	15	31	9	7	33	5

*Less than 0.5%

CHAPTER 8:
EMPLOYEES AND RETIREES TALK ABOUT THEIR HEALTH INSURANCE NEEDS

Future Retirees' Health Insurance Needs

Half (51%) of all employees anticipate needing health insurance, in addition to Medicare, when they retire. This feeling is somewhat stronger among employees in the lowest income ranges.

It is by far the strongest among those dissatisfied with their current health insurance. Seventy-eight percent of those dissatisfied with their health insurance say they will need additional coverage, compared to only 48% of those satisfied with their health insurance (Table 37).

Among employees who anticipate needing additional health coverage to Medicare, 43% think that their present employer will provide it; 23% say they will have to buy it themselves; and 19% believe that it will come from some other source.

Table 37

HOW MANY FUTURE RETIREES WILL NEED ADDITIONAL COVERAGE, AND WHERE THEY WILL GET IT

Q.4 (Employees): Do you think you will need to have additional health insurance to pay for all or part of the costs that Medicare will not pay for, or not?

Q.5a (Employees): If someday you do get additional health insurance, apart from Medicare, would you buy it, or get it as a retired person from your present employer, or get it from somewhere else?

		Age				Income					Satisfaction With Health Insurance	
	Total Employees	18-29 Years	30-39 Years	40-49 Years	50 and Over	$15,000 or Less	$15,000 to $25,000	$25,001 to $35,000	$35,001 to $50,000	$50,001 and Over	Very/ Somewhat Satisfied	Not Very/ Not at All Satisfied
Base	1,005	282	340	221	154	87	210	230	244	184	896	89
	%	%	%	%	%	%	%	%	%	%	%	%
Q.4												
Yes, will need	51	54	53	48	45	63	52	55	45	51	48	78
No, will not need	38	35	34	42	45	30	35	35	41	41	40	12
Not sure	12	11	13	10	10	7	12	10	14	9	11	10
Q.5a												
Would buy it	23	26	20	22	27	22	22	24	23	26	23	28
Present employer will provide	43	39	43	50	41	34	37	45	46	48	45	31
Somewhere else	19	21	21	14	17	31	28	15	19	9	18	26
Not sure	15	15	16	13	14	13	14	16	11	17	14	15

Types of Health Costs Which Most Concern Retirees and Future Retirees

No single type of health care service appears to dominate retirees' concerns about paying for health costs. In fact, a 53% majority say that there is no one type of health care cost which worries them most. Twenty-four percent named hospital bills as the cost which worried them most, 9% said nursing home care, and 3% said that the cost of doctor's bills worried them most (Table 38).

Employees were asked which types of health care costs they would most need additional health coverage for in the future. Forty-two percent said they would most need additional coverage to pay for a major illness, 40% said hospitalization, 32% said doctor's bills, 15% said nursing home care, and another 15% said prescription drugs.

Table 38

TYPES OF HEALTH COSTS WHICH CONCERN RETIREES AND FUTURE RETIREES MOST

Q.11d (Retirees): Of all the different types of health care services you may need and have to pay for in the future, is there one type of health care service that you worry about most because of its cost? (IF "YES," ASK: What is that? AND PROBE FOR SPECIFIC SERVICE)

Q.5b (Employees): For which types of health care costs do you think you would most need this health insurance—for a major illness, for nursing home care, for hospital care, doctor bills, drugs, or something else?

	Retirees
Base	501
	%
No future cost that worries them most	53
Hospital bills	24
Nursing home care	9
Doctor's bills	3
Other cost	4
Not sure	7

	Employees
Base	1,005
	%
Major illness	42
Hospitalization	40
Doctor's bills	32
Nursing home care	15
Prescription drugs	15
Other costs	1
Not sure	8

Information From Employers About Paying for Retiree Health Costs

One in three retirees (34%) report that their former employer gave them some information or advice, before retirement, about how they would pay for their health care costs. Almost as many current employees (30%) report that their employer already has given them this type of information.

Observation:

The glass may be one-third full or two-thirds empty in this finding. The Equitable Health Care Survey III, conducted last year, showed a powerful correlation between how well employers communicate with employees and employees' willingness to accept increased cost-sharing. Employers who did the best job communicating changes in policies and health plans had the happiest and most cooperative employees. It stands to reason that employers could also improve employee relations by assisting them more in planning for their future health care needs, even if a company does not provide retiree health benefits.

Table 39

PERCENT OF CURRENT EMPLOYEES AND RETIREES WHO HAVE RECEIVED INFORMATION FROM EMPLOYERS ABOUT PAYING FOR RETIREE HEALTH COSTS

Q.6 (Employees): Have you ever received any information or advice—verbally or in writing—from your employer about how you would pay for your health care after you retire, or not?

Q.4a (Retirees): Before you retired, did your former employer ever give you any information or advice about how you would pay for your health care after you retired?

	Base		Have Received	Have Not Received	Not Sure
Employees	1,005	%	30	67	3
Retirees	501	%	34	63	2

CHAPTER 9:
RETIREES AND EMPLOYEES THINK ABOUT THE COST OF NURSING HOME CARE

Retirees' Thoughts About Nursing Home Care

The possibility of someday moving into a nursing home, or other retirement facility, has crossed the mind of a majority of retirees (55%), although not too often. Those aged 75 and over are somewhat more likely to have considered the necessity of living in a retirement facility which provides full-time care. But overall, only one in five retirees (21%) claim to have given this subject a lot of thought. Another 24% have given it some thought, and 43% say they have not thought about someday having to move into a nursing home (Table 40).

When asked what type of retirement facility they would choose to enter, if they could no longer take care of themselves, 27% said it would be a nursing home; 15% named a senior citizens residence or center; 8% said they would rather stay at home; 3% said they would move in with their children or other family members; and 1% said they would enter a Veteran's facility (Table 41).

Observation:

Few retirees' lives are dominated by fear of losing their independence some day. "It won't happen to me," seems to be the attitude of most. Other results in this chapter will lend credence to this interpretation.

Chapter 11 will show that most retirees in this survey are in good health and reasonable financial shape, and are satisfied with their standard of living. This would explain, in part, why they don't think much about losing these things because of illness or old age.

Table 40

HOW MUCH THOUGHT CURRENT RETIREES HAVE GIVEN TO SOMEDAY MOVING INTO A NURSING HOME

Q.10a (Retirees): Have you given any thought to what you would do if you could no longer take care of yourself at home and needed to move into a place that provides regular daily care?

Q.10b (Retirees): Would you say that you have given this subject a lot of thought, some thought or not much thought?

		Age			
	All Retirees	64 or Less	65-69 Years	70-74 Years	75 and Over
Base	501	141	165	100	86
	%	%	%	%	%
Q.10a					
Yes, have thought about it	55	53	56	50	62
No, have not	43	46	43	47	36
Not sure	1	1	1	3	1

	All Retirees
Base	501
	%
Q.10b	
A lot of thought	21
Some thought	24
Not much thought/no thought	10
Not sure	*
All who have thought about having to enter a nursing home	55

*Less than 0.5%.

Table 41

TYPE OF RETIREMENT FACILITY RETIREES SAY THEY WOULD ENTER

Base: All retirees

Q 10c (Retirees): If you could no longer take care of yourself at home, and needed to move into a place that provides regular care, what type of facility do you think you would enter?

	All Retirees
Base	501
	%
Type of Facility	
Nursing Home	27
Senior citizens residence or center	15
Stay with children/family	3
Hospital	2
Veteran's facility	1
Retirement village	1
Other	1
Would rather die	1
Would rather stay at home	8
Not sure	37
Refused	1

Retirees and Employees' Thoughts About Paying for Nursing Home Care

Not surprisingly, even fewer employees have ever considered how they would pay for nursing home care for themselves, or their spouses. Six percent of employees have thought a lot about this subject, 19% have given it some thought, and the other three-fourths (75%) have not thought much, or at all, about this. However, a larger proportion of employees aged 50 and over have thought about how they would pay for nursing home care: 14% have given it a lot of thought, and 29% have given it some thought (Table 42).

Thus, very few retirees or employees worry much about paying for nursing home care. Only 15% of retirees and 3% of employees say they worry a great deal about this (Table 43). Majorities of both groups just don't worry about what they would do if, at some point in the future, they or their spouses become debilitated.

About one-third of retirees (31%) and employees (36%) believe that they would have to pay for nursing home care themselves; 10% of retirees and 24% of employees say that employer-provided insurance would cover these costs; 14% of retirees and 12% of employees think other private insurance would cover these costs; and 18% of retirees and 16% of employees believe that Medicare or Medicaid would pay for nursing home care (Table 44).

Observation:

These findings reveal a great deal of ignorance among both retirees and employees about the extent of coverage provided by private and government insurance plans. Medicare does not cover the cost of nursing home care, and Medicaid only covers these costs for people who have almost no assets. The vast majority of private health insurance plans do not cover the cost of nursing home care. Perhaps increased efforts by policymakers in both the public and private sectors would increase Americans' knowledge about these potential costs, and help them to plan better for the future.

Table 42

HOW MUCH EMPLOYEES HAVE THOUGHT ABOUT PAYING FOR NURSING HOME CARE

Q.8a (Employees): How much thought have you given to the question of how you would pay for nursing home care if, someday, you or your spouse must move to a nursing home or other place that provides regular care—have you given this a lot of thought, some thought, not much thought, or none at all?

	Age				
	All Employees	18-29 Years	30-39 Years	40-49 Years	50 and Over
Base	1,005	282	340	221	154
	%	%	%	%	%
A lot of thought about it	6	3	5	4	14
Some thought	19	15	14	23	29
Not much thought	31	27	36	35	25
None at all	44	55	45	38	32
Not sure	*	*	—	—	—

*Less than 0.5%.

Table 43

HOW MUCH RETIREES AND EMPLOYEES WORRY ABOUT PAYING FOR NURSING HOME CARE

Q.10d (Retirees): Would you say that you worry a great deal, some, or not much about how you would pay for care in a nursing home or other place that provides regular care?

Q.8b (Employees): How much do you worry about how you would pay for nursing home care if you should ever need it—do you worry a great deal, some, or not worry much?

	Q.10d All Retirees	Q.8b All Employees
Base	501	1,005
	%	%
Worry a great deal	15	3
Some	18	13
Not much/not at all	63	83
Not sure	4	1

Table 44

HOW RETIREES AND EMPLOYEES THINK THEY WOULD PAY FOR NURSING HOME CARE

Q.10f (Retirees): How do you think you would pay the bills if you had to enter a nursing home or other place that provides regular care?

Q.8c (Employees): Suppose that some day you are no longer able to take care of yourself at home and have to move into a nursing home or other place that provides regular care. How do you think this would be paid for? Anything else?

	Q.10f All Retirees	Q.8c All Employees
Base	501	1,005
	%	%
Personal funds/savings	31	36
Employer-provided health insurance	10	24
Other insurance	14	12
Medicare	15	13
Medicaid	3	3
Spouse/children/family would pay	4	7
Veterans Administration	1	1
Social Security	1	2
Pension	1	1
Need to sell home	4	1
Other	1	2
Would not be able to pay	5	—
Not sure	29	26
Refused	2	1

Employees' Interest in Trading Benefits for Future Nursing Home Coverage

There is a fairly high level of interest among employees in trading some current benefits provided by their employer in exchange for insurance coverage for future nursing home costs. Five percent of employees say they would be very interested in doing this, and 32% would be somewhat interested. The remaining 61% expressed little or no interest in such an option (Table 45).

Observation:

There appears to be enough employee interest in this type of exchange to warrant employers' consideration of such an option. It seems reasonable to assume that demand for long-term care insurance would increase if more employees realized that they have no long-term care coverage.

Table 45

EMPLOYEES' INTEREST IN TRADING SOME CURRENT BENEFITS FOR FUTURE NURSING HOME COVERAGE

Q.9a (Employees): How interested would you be in reducing some of your current benefits from your employer, in exchange for insurance coverage for part of the future cost of nursing home care—very interested, somewhat interested, not very interested, or not at all interested?

	All Employees
Base	1,005
	%
Very interested	5
Somewhat interested	32
Not very interested	24
Not at all interested	37
Not sure	1

CHAPTER 10:
RETIREES AND EMPLOYEES THINK ABOUT PLANNING FOR RETIREMENT

How Much Employees Plan for Retirement

The extent to which different retirees planned for retirement varies greatly by income. Fewer than two in ten poorer retirees (18%), those with incomes of $15,000 or less, feel that they planned enough for retirement while still working full-time. In contrast, majorities of retirees with incomes of at least $25,000 said that they planned enough for retirement while still working full-time (Table 46).

Overall, 33% of retirees said that they planned enough for retirement, 37% planned some but not enough, and the remaining 29% did hardly any planning at all. This proportion rises to 43% among retirees with incomes of $15,000 or less.

When asked what they would do differently if given a second chance to plan for retirement, most retirees said that they would save more, or invest more money in stocks, bonds, real estate, or IRAs. Thirty-four percent said that they would do nothing differently (Table 47).

Only 20% of current employees feel that they have done enough planning for retirement (Table 46). Nearly half (46%) say that they have planned some but not enough, and one-third (33%) have hardly planned at all. However, older employees are much more likely than are younger employees, to believe that they already have planned enough for retirement. Forty-three percent of employees aged 50 and over feel that they have planned enough, compared to only 7% of those aged 18 to 29, and 16% of those aged 30 to 39.

Table 46

HOW MUCH EMPLOYEES PLAN FOR RETIREMENT WHILE STILL WORKING FULL-TIME

Q.11a (Retirees): And finally, I'd like to ask you a few questions about retirement. How much planning would you say that you did for your retirement while you were still working full-time—enough planning, some planning but not enough, or hardly any planning at all?

Q.10a (Employees): Now, I'd like to ask you a few final questions about retirement. How much planning would you say that you have done for your retirement—enough planning, some planning but not enough, or hardly any planning at all?

	Retirees					Employees				
		Income					Age			
	Total Retirees	$15,000 or Less	$15,001 to $25,000	$25,001 to $35,000	$35,001 and Over	Total Employees	18-29 Years	30-39 Years	40-49 Years	50 and Over
Base	501	194	95	53	55	1,005	282	340	221	154
	%	%	%	%	%	%	%	%	%	%
Enough planning	33	18	45	53	56	20	7	16	25	43
Some planning, but not enough	37	38	42	26	31	46	34	51	55	47
Hardly any planning at all	29	43	13	21	11	33	57	33	20	10
Not sure	1	2	—	—	2	*	1	—	—	1

*Less than 0.5%

Table 47

HOW RETIREES WOULD PLAN DIFFERENTLY FOR RETIREMENT

Q.13c (Retirees): If you had the chance to plan for your retirement again, what is the one thing you would do differently than you did when you were younger?

	All Retirees
Base	501
	%
Save money/save more	23
Make investments/invest more	6
Better investments	2
Invest in stocks	2
Invest in bonds	1
Invest in real estate/property	2
Invest in IRA/if IRA had been available	6
More money into retirement fund/plan	3
More conservative spending	2
Purchase own insurance plan	2
More insurance coverage	2
Pay more attention to investments	1
Get advice/someone to help pla[illegible]t	1
Work for company with more/bette[illegible]enefits	4
Work longer/not retire as early	2
Retire earlier	2
Better education	1
Other	6
Nothing	34
Don't know	10

Employer Assistance in Retirement Planning

An earlier finding showed that about three in 10 employees and retirees received information from their employers about paying for health costs in retirement (see Chapter 8). Table 48 shows that employers provide more help in the area of retirement planning. Forty-seven percent of employees have received a great deal or some help from their employer in planning for retirement, compared to 38% of retirees.

But even more employees—a 54% majority—would like their employer to give greater planning assistance than they currently provide. Fewer retirees (43%) would have wanted more planning assistance than what their former employers provided, but this is still a significant proportion.

Observation:

As suggested at the end of Chapter 5, the payoffs to employers from increased and better communications programs are better relations with employees, and higher levels of satisfaction. Increased assistance in planning for retirement is yet another area in which employers could accrue good will.

Table 48

HOW MUCH ASSISTANCE EMPLOYEES GET IN RETIREMENT PLANNING FROM EMPLOYERS, AND HOW MUCH THEY WANT

Q.10b (Employees): How much assistance has your employer given you in planning for your retirement—would you say a great deal, some, hardly any, or no assistance at all?

Q.10c (Employees): Would you want your employer to give you more assistance in planning for retirement than you receive now, or not?

Q.11b (Retirees): How much assistance did your previous employer give you in planning for your retirement? Would you say a great deal, some, hardly any, or no assistance at all?

Q.11c (Retirees): Would you have wanted your previous employer to give you more assistance in planning for retirement than you received, or not?

	Q.10b All Employees	Q.11b All Retirees
Base	1,005	501
	%	%
Amount of Planning Assistance Given by Employer		
A great deal	17	15
Some	36	23
Hardly any	19	17
No assistance at all	27	43
Not sure	1	1

	Q.10c All Employees	Q.11c All Retirees
Base	1,005	501
	%	%
Whether or Not More Assistance Is Wanted		
Yes	54	43
No	43	52
Not sure	3	5

CHAPTER 11: RETIREES' HEALTH AND FINANCIAL STATUS

Retirees' Health Status Compared With Other Groups

The survey findings show that a large majority of retirees believe that their health is excellent or good, while relatively few think of their health as poor. Two-thirds of retirees describe their own health as excellent (23%) or good (43%), another quarter (24%) say their health is fair, and 11% believe their health is poor (Table 49).

But a comparison of health status between retirees and two other groups reveals that retirees' relative health status is much closer to that of people in ill health, the heavy users, than to most current employees. Ninety-five percent of current employees describe their health status as excellent (52%) or good (43%). In comparison, only 67% of heavy users of health services believe that their health is excellent (27%) or good (41%). The proportion in each of these categories is nearly identical with that of retirees.

Observation:

Nevertheless, that most retirees enjoy at least good health is one of the most important findings in this survey. It should reassure policymakers that poor health is not a serious problem for most retirees. As a group, they are doing all right. And as the next finding will show, the great majority of retirees express satisfaction with the health services which they use. As reported earlier, 97% of retirees report having some health insurance coverage (Table 8). Their experience with their coverage and health services appears to have convinced them that if they become ill, their needs will be met.*

*Note: It should be understood that most of these retirees are, by definition, healthy enough to live at home under their own, or their families' care. The sickest retirees—those hospitalized or institutionalized—were not interviewed for this survey.

Table 49

RETIREES' HEALTH STATUS COMPARED TO CURRENT EMPLOYEES AND HEAVY USERS OF HEALTH SERVICES

Q.2 (Employees): In general, how would you describe your own health—is it excellent, good, fair, or poor?

Q.1a (Retirees): In general, how would you describe your own health—is it excellent, good, fair, or poor?

	Retirees	Current Employees	Heavy Users of Health Services**
Base	501	1,005	1,005
	%	%	%
Excellent	23	52	27
Good	43	43	41
Fair	24	5	23
Poor	11	1	8
Not sure	*	—	1

*Less than 0.5%

**Source: The EQUICOR Health Care Survey V, 1986

Retirees' Satisfaction With Health Services

Three-fourths of retirees express satisfaction with the health services that they have used in the last few years, and 49% say they are very satisfied. Only 14% report having dissatisfying experiences, overall, with health services (Table 50).

These findings are fairly consistent among retirees in different regions, age groups, and income groups. However, there are important exceptions. Dissatisfaction with health services is significantly higher among disabled retirees, and the minority in fair or poor health. Twenty-four percent of disabled retirees (about one-quarter of all retirees) report being somewhat (13%) or very (11%) dissatisfied with their health services. The corresponding figure is 22% among retirees who describe their health status as fair or poor.

Observation:

This high overall level of satisfaction with health services is another important indicator that most retirees live healthy, stable lives. But the higher levels of dissatisfaction among retirees who most need health services—disabled retirees and those in the worst health—should send a clear message to health care providers, policymakers, and third-party payors that greater efforts could be made to accommodate their health care needs. In other words, a better job could still be done to provide excellent health services to all who need them.

Table 50

RETIREES' SATISFACTION WITH HEALTH CARE SERVICES

Q.2 (Retirees): Overall, how do you feel about the health care services that you have used in the last few years? Would you say you are very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?

	Base		Very Satisfied	Somewhat Satisfied	Somewhat Dissatisfied	Very Dissatisfied	Not Sure
Total Retirees	**501**	**%**	**49**	**28**	**8**	**6**	**9**
Region							
East	117	%	44	31	6	6	13
Midwest	147	%	49	31	9	5	6
South	162	%	50	25	7	10	8
West	75	%	55	25	8	3	9
Age							
64 years or less	(141)	(%)	(51)	(25)	(11)	(6)	(8)
65-69 years	165	%	45	31	9	5	10
70-74 years	100	%	45	30	3	11	11
75 and over	86	%	58	28	6	3	5
Income							
$15,000 or less	194	%	38	32	9	9	12
$15,001 to $25,000	95	%	56	29	8	3	3
$25,001 to $35,000	53	%	53	30	8	—	9
$35,001 and over	55	%	56	24	5	7	7
Sex							
Male	252	%	52	27	8	5	9
Female	249	%	47	30	7	8	8
Disabled							
Yes	130	%	35	36	13	11	5
No	368	%	54	26	5	5	10
Health Status							
Excellent	115	%	58	17	5	7	12
Good	213	%	52	31	5	3	9
Fair/poor	172	%	40	32	13	9	6

Retirees' Standard of Living

This final set of findings broadens the general story of good health and satisfaction with health services told in this chapter. More than nine in ten retirees, fully 92%, claim to be very satisfied (61%) or somewhat satisfied (31%) with their current standard of living. Of equal import, almost as many retirees report that their standard of living has not changed since retirement (66%), or actually has increased (15%). Only 18% say that their standard of living has decreased since retirement (Table 51).

Remarkably, the overall findings vary little by income and across other key demographic groups. It is the proportion of a group who are very satisfied with their standard of living that separates poor retirees from wealthier ones, younger retirees from the older ones, and those in excellent health from those in fair or poor health. For example:

- Forty-three percent of those with incomes of $15,000 or less are very satisfied with their standard of living, compared to 84% of retirees with incomes of at least $35,000.
- Fifty-seven percent of retirees aged 64 or less are very satisfied with their standard of living, nine points fewer than the 66% among retirees aged 75 and over.
- Forty-eight percent of retirees in fair or poor health are very satisfied with their standard of living, compared to 77% of those in excellent health.
- And far fewer disabled retirees are very satisfied with their standard of living (42%) than non-disabled retirees (67%).

Thus, many more of the poorest and least healthy retirees report that their standard of living has dropped since they retired. Almost three out of ten (28%) retirees with incomes of $15,000 or less have a lower standard of living in retirement. Even higher proportions of disabled retirees (36%) and those in ill health (31%) have suffered decreased standards of living since they retired.

Observation:

Once again, the overall news about retirees is quite reassuring. As a group, they claim to be happy with their standard of living, and most have not suffered much as a result of retiring. Not surprisingly, fewer poor retirees, and those who are disabled or in the worst health (largely the same group), express complete satisfaction with their situation. But hardly any of these retirees express dissatisfaction; no more, in fact, than retirees with excellent health and far bigger incomes. That is the more telling measure of retirees' overall satisfaction with their standard of living.

Table 51

RETIREES' SATISFACTION WITH STANDARD OF LIVING, AND EXTENT OF CHANGE SINCE RETIREMENT

Q.12a (Retirees): How satisfied are you with your standard of living—very satisfied, somewhat satisfied, not too satisfied, or not satisfied at all?

Q.12b (Retirees): And is your standard of living higher, lower, or about the same as before retirement?

		Income				Age				Health Status			Disabled	
	All Retirees	$15,000 or Less	$15,001 to $25,000	$25,001 to $36,000	$36,001 and Over	64 or Less	65-69 Years	70-74 Years	75 and Over	Excellent	Good	Fair/ Poor	Yes	No
	501	194	95	53	55	141	165	100	86	115	213	172	130	368
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Q.12a Satisfaction With Standard of Living														
Very satisfied	61	43	69	74	84	57	60	61	66	77	62	48	42	67
Somewhat satisfied	31	43	27	23	16	35	33	28	27	20	30	40	43	27
Not too satisfied	4	7	1	—	—	4	2	9	3	—	4	6	9	2
Not satisfied at all	3	5	1	—	2	3	3	2	2	2	2	3	4	2
Not sure	1	1	1	4	—	1	2	—	1	1	1	2	2	1
Q.12b Change in Standard of Living Since Retirement														
Higher	15	10	12	19	20	10	12	18	26	10	16	16	18	13
Lower	18	28	16	6	7	26	18	14	12	7	15	31	36	12
About the same	66	60	73	75	73	62	69	68	60	82	68	53	45	73
Not sure	1	2	—	—	—	1	1	—	2	1	1	1	2	1

Retirees' Sources of Income

Table 52 shows the wide variety of sources from which retirees derive their incomes. The most common sources are, of course, Social Security, pension plans, personal savings, and investments. The largest single source of income for most retirees is Social Security (43%), with pensions falling a distant second (15%), and personal savings next (9%).

Table 52

RETIREES' SOURCES OF INCOME

Q.13a (Retirees): What are your main sources of income? Any others?

Q.13b (Retirees): Which one of those sources of income provides the largest amount of your income?

		Q.13a All Sources of Retirees' Income	Q.13b Retirees' Largest Source of Income
Social Security benefits	%	63	43
Supplemental Security Income (SSI)	%	1	1
Earnings from new employment after retiring	%	5	2
Company pension plan benefits	%	37	15
Union pension plan benefits	%	8	4
Profit sharing plan benefits	%	1	*
Personal savings account at a bank/investments in stocks or bonds	%	23	9
Individual Retirement Account benefits (IRA)	%	2	*
Government pension plan benefits (not Social Security)	%	3	1
Savings from an employee thrift or savings plan	%	1	—
Proceeds from insurance	%	1	*
Real estate investment (mortgages, sale of real estate, rent from renters or boarders)	%	3	1
Inheritance	%	*	*
Money from children or other relatives	%	1	1
Spouse's current income	%	4	3
Other	%	6	3
None	%	1	3
Not sure	%	1	2
Refused	%	10	10

APPENDIX: SURVEY METHOD

APPENDIX: SURVEY METHOD

Sample Design

The following samples were used in this study:

- A systematic sample of corporations was drawn from the Dunn and Bradstreet listing of corporations with 500 or more employees in the United States. This sample generated interviews with 500 corporate benefits officers.

- A nationwide cross-section of 8,200 households was screened in order to locate:

  — 1,005 employees who currently work full-time for a company or non-governmental organization with 500 or more employees in the United States; and

  — 501 retirees who worked at least 5 years for a company or non-governmental organization with 100 or more employees in the United States.

  The initial sample was generated by random-digit-dialing, based on an unclustered sampling frame, stratified by geographic region, and by the Census Bureau's "size of place" designations.

Interviewing

All interviews were conducted by telephone from the New York offices of Louis Harris and Associates, during June, July, and August 1986. Corporate benefits officers were interviewed on weekdays from 9:00 a.m. to 5:00 p.m. When necessary, appointments were made to interview the relevant officers in a company. Employees and retirees were interviewed in their homes from 5:00 p.m. to 10:00 p.m. (local time) on weekdays, and from 10:00 a.m. to 10:00 p.m. (local time) on weekends.

All interviews with retirees and employees were conducted on the Harris firm's Computer-Assisted-Telephone-Interviewing (CATI) system. This system allows data to be entered directly into a main-frame computer, as the interview is conducted. This method provides superior quality control against errors, especially when a large number of households must be screened.

Up to three callback attempts were made to reach all selected respondents in the three separate groups.

Questionnaires

Three questionnaires were developed for the study: one for corporate benefits officers, one for employees, and one for retirees. Copies of the questionnaires can be obtained from Louis Harris and Associates.

Data Processing

The editing, coding, and data processing of all questionnaires were conducted by Louis Harris and Associates.

Codes were developed for responses to open-ended questions, with only those responses given by less than 0.2% of the respondents being coded as "other" responses.

Sampling Error

The table below indicates the sampling error associated with various sample sizes and the reported sample percentages, at the 95% confidence level.

Table A-1

REPORTED SAMPLE PERCENTAGE

Sample Size	10% or 90%	20% or 80%	30% or 70%	40% or 60%	50%
2,500	1	2	2	2	2
2,000	1	2	2	2	2
1,500	2	2	3	3	3
1,000	2	2	3	3	3
900	2	3	3	3	3
800	2	3	3	3	3
700	2	3	3	4	4
600	2	3	4	4	4
500	3	4	4	4	4
400	3	4	4	5	5
300	3	5	5	6	6
200	4	6	6	7	7
100	6	8	9	10	10
50	8	11	13	14	14

Table A-2

PROFILE OF THE CORPORATE BENEFITS OFFICERS' COMPANIES

	All Corporate Benefits Officers
Base	500
	%
Total	100
Region	
East	31
Midwest	25
South	25
West	19
Type of Company	
Manufacturing	42
Wholesale or retail	25
Financial	11
Services	22
Other	11
Number of Employees	
500 - 1,000	43
1,001 - 3,000	23
3,001 - 5,000	9
5,001 - 10,000	10
10,001 or more	14
Not sure	1
Have Union Employees	
Yes	47
No	52
Not sure	1

Table A-3

DEMOGRAPHIC PROFILE OF THE EMPLOYEES

	All Employees
Base	1,005
	%
Total	100
Region	
East	29
Midwest	24
South	29
West	17
Age	
18-29 years	28
30-39 years	34
40-49 years	22
50-64 years	15
65 and over	1
Not sure/refused	1
Income	
$7,500 or less	1
$7,501 to $15,000	7
$15,001 to $25,000	21
$25,001 to $35,000	23
$35,001 to $50,000	24
$50,001 and over	18
Not sure/refused	5
Marital Status	
Single	19
Married	68
Divorced/widowed/separated	12
Sex	
Male	57
Female	43
Health Status	
Excellent	52
Good	43
Fair	5
Poor	1

Table A-4

DEMOGRAPHIC PROFILE OF THE RETIREES

	All Retirees
Base	501
	%
Total	100
Region	
East	23
Midwest	29
South	32
West	15
Age	
49 or less	1
50-64 years	27
65-69 years	33
70-74 years	20
75-79 years	10
80 and over	7
Not sure/refused	1
Income	
$7,500 or less	17
$7,501 to $15,000	11
$15,001 to $25,000	19
$25,001 to $35,000	11
$35,001 to $50,000	6
$50,001 and over	5
Not sure/refused	21
Marital Status	
Single	7
Married	60
Divorced/widowed/separated	32
Sex	
Male	50
Female	50
Health Status	
Excellent	23
Good	43
Fair	24
Poor	11
Disabled	
Yes	26
No	73